

# FINANCIAL TIMES

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**India's budget**  
Playing to a fragile coalition

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Can a carp block deregulation?

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**Recycling tyres**  
Just pop them in the microwave

Environment, Page 10

**Nationalism**  
Of ethnicity and tribalism

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World Business News

WEDNESDAY JULY 24 1996

## White House says TWA probe focusing on terrorism theory

The White House said chemical residues had been found on debris and some victims' bodies recovered from the TWA crash site, leading investigators to focus more firmly on the possibility of a terrorist bomb. White House chief of staff Leon Panetta said terrorism was the theory which investigators were "looking most closely at", though he stressed that it was too early to draw firm conclusions. The Federal Bureau of Investigation, which is directing the inquiry, had earlier discounted reports of the discovery of bomb residues on debris. TWA families contact lawyers, Page 7

## Atlanta Olympics organisers face lawsuit from Europe TV

The European Broadcasting Union - the second-largest Olympic broadcast rights holder after US network NBC - is considering suing the organisers of the Atlanta Olympic Games for breach of contract after complaining that poor working conditions had undermined television coverage. Page 14; Olympics round-up, Page 8

## Deals in France accepted an improved bid from the Anchem group

The deal will create the fourth largest French supermarket group, with combined 1995 sales of FF11.1bn (\$22bn). Page 15

## EU move on anti-Cuba law threatened

British moves to protect its sovereignty has threatened European Union plans to retaliate against controversial US anti-Cuba legislation. Page 7

## Daewoo pledges to create French jobs

Korean conglomerate, Daewoo, has told the French government it will create 5,000 jobs within five years if it is allowed to buy the multimedia arm of Thomson following the defence and electronics group's privatisation. Page 15; Daewoo to invest \$600m in Morocco, Page 6

## UN warns of steel glut

The United Nations warned that the world is heading for an oversupply of crude steel capacity in the next few years, as output threatens to outstrip demand. Page 6

## No new Ariane 5 launch until next year

European Space Agency director-general Jean-Marie Luton (left) told a Paris press conference that the launch of the second Ariane 5 was likely to be postponed until next year. Software errors in the rocket's guidance system were officially blamed for the failure of the first Ariane 5 launch in June. Page 6

## EU angered over ASEAN moves

The European Union has accused the UK and France of a lack of trust after they applied for membership to the ASEAN Regional Forum, a caucus for debating security issues in Asia, even though they are already represented by the EU's membership. Page 4

## Dutch deficit rises

Dutch finance officials brushed off fears that a rise in the budget deficit, to at least 3.7 per cent of gross domestic product last year, could present any severe problem in meeting criteria for European monetary union. Page 2

## Aérospatiale chief moves to SNCF

The chairman of French aerospace group Aérospatiale, Louis Galois, is to take over as head of the state-owned railway company SNCF. Page 2

## Fibox shares drop 40%

Shares in personal organiser group Fibox fell nearly 40 per cent after a surprise profit warning following poor sales in Japan and the US and a re-organisation at its main UK customer. Page 15

## US repeats Boutros Ghali opposition

The US ambassador to the UN, Madeleine Albright, said Washington would not reverse its decision to oppose Boutros Boutros Ghali re-election as UN secretary-general. Page 7

## Bertelsmann and Kirch, German entertainment and media groups, are close to an agreement to launch a standard decoder for digital television, ending a bitter struggle

Page 17

## Spanish ETA leader arrested

French police commandos arrested a senior leader of the Basque separatist guerrilla group ETA in a joint operation with Spanish police.

## Compromise on N-test ban Russia and the US said they had agreed to support a compromise treaty banning nuclear weapons tests and hoped it could be approved when negotiators reconvene next week. US call to help Korean N-pact, Page 4

# Threat to Anglo-French defence deal

## Delays in UK cabinet jeopardise BAe and Matra link

By Bernard Gray and George Parker in London

An agreed joint venture between British Aerospace and Matra of France was thrown into doubt yesterday when the British cabinet postponed approval of defence orders worth more than \$2.5bn (\$5.65bn). The decision, which came after a fierce battle between the defence and finance ministries, could also disrupt plans by BAe and Matra to bid jointly to buy the Thomson-CSF, the defence electronics company due to be privatised by the French government shortly.

Mr Jacques Chirac, the French

president who is thought to support Matra's bid for Thomson, yesterday telephoned his British counterpart, Mr John Major, in a last-ditch effort to get the project cleared. The delay in announcing orders for maritime patrol aircraft, cruise missiles and anti-tank weapons came after a successful campaign by Mr Kenneth Clarke, the British finance minister, to have the orders reconsidered as part of this year's tough public spending plan.

Mr Clarke wants a deep cut in

public spending to allow pre-election tax cuts, and has identified the Ministry of Defence budget as a prime target. Mr Michael Heseltine, the deputy prime minister, has now been asked by the prime minister to adjudicate in the dispute between the Treasury and the Ministry of Defence. He may try to award the contracts while still meeting tough Treasury spending targets.

Backbench Tory MPs, the Royal Air Force and defence companies were all furious at the delay, which is a serious reverse

for Mr Michael Portillo, the defence minister. Mr Portillo had banked on producing good news for the armed forces as one way to restore his credentials as a future Conservative party leadership candidate. The postponement is likely to lead to serious problems for the defence industry. Companies will have to keep bidding teams in place for several more months, which will cost millions.

The most serious impact is on the proposed alliance between BAe and Matra. In May the two

announced they had reached "commercial agreement" on pooling their missile businesses, but the deal still requires French government approval. Last year the French government publicly insisted that the BAe-Matra team should be awarded Britain's 2500m cruise missile contract before the venture could proceed, a threat which the MoD rejected. While everyone involved in the deal says that the condition has been dropped, the French government will not approve the merger

unless the contract is awarded to Matra and BAe. If the cruise decision is delayed until the autumn, the merger will not proceed and the two will not have time to finalise their bid for Thomson. Air Chief Marshal Sir Michael Graydon, the head of the RAF, was also thought to be "extremely concerned" about the delay. He has staked a considerable part of his personal reputation on supporting cuts in RAF personnel, but has argued that the service would be more effective with the new weapons it was due to get.

Daewoo pledge, Page 15

## US airlines demand halt to talks with UK

By Michael Staphinker in London

Six US airlines have called on President Bill Clinton to suspend "open skies" negotiations with the British government, alleging that the UK plans to use the proposed alliance between British Airways and American Airlines to restrict competition.

The airlines said in a letter to Mr Clinton that the negotiations, which are due to resume in Washington next week, should be halted until the US Department of Justice had completed its investigation of the alliance.

The alliance, announced last month, provides for the two airlines to co-ordinate their flight schedules and share revenues from transatlantic operations. The airlines would together control 60 per cent of UK-US traffic.

In another development, Mr Ian Lang, UK trade and industry secretary, said he would lay regulations before parliament to allow him to investigate the alliance in conjunction with the European Commission. The Commission has launched its own inquiry into the BA-American deal and five existing airline alliances announced under Article 89 of the Treaty of Rome.

The Commission has never before conducted a full investigation under Article 89. The UK inquiry would take place under Article 89 of the treaty, which has also not been used before in the UK. Article 89 allows EU member governments to rule on whether abuse of a dominant market position has occurred.

BA said last night that it welcomed Mr Lang's announcement because it made it clear that the UK government was the competent authority to investigate the

alliance on behalf of the EU. The proposed alliance is also being investigated by the UK Office of Fair Trading, which is considering whether to refer it to the Monopolies and Mergers Commission.

The letter by the six US airlines adds considerable weight to the campaign to block the alliance, which has been supported by Virgin Atlantic of the UK. The letter has been signed by some of the most powerful figures in US aviation, including Mr Ronald Allen, chairman of Delta Air Lines, and Mr Gerald Greenwald, chairman of United Airlines.

The executives told Mr Clinton that "we are worried that the UK is seeking... to manoeuvre the US into an agreement which, in practice, will prove to be far less than 'open'."

They added: "In the field of international trade, tigers do change their stripes but they seldom do it overnight. For years the UK and its flag carriers have insisted upon the most restrictive interpretation of one of the most restrictive aviation agreements in existence. Suddenly, to secure US approval of this alliance... they profess a willingness to abandon completely their protective policies."

"The question that immediately comes to mind is whether this is an actual philosophical conversion or whether the British believe they can manipulate circumstances to maintain an even more protective environment under the false banner of open skies."

The airlines said an open skies agreement would still leave London's Heathrow airport substantially closed to foreign competition.

## Farm spending freeze urged in bid to meet Emu targets

By Lionel Barber in Brussels

France and Germany are leading efforts to hold European Union spending on agriculture in a race to meet the Maastricht targets for economic and monetary union next year.

The Franco-German campaign has won the support of a majority of member states ahead of a meeting of EU budget ministers in Brussels tomorrow. "This shows how Emu is driving the whole budget process," said a senior Commission official.

Ministers will tomorrow discuss plans to hold the 1997 EU budget at 1996 levels or around Ecu50bn (\$11.6bn) - a cut in real terms of Ecu2bn. The aim is to shave Ecu1bn from the Ecu62bn farm budget and Ecu1bn from Ecu20bn in aid to poorer regions.

The UK, Austria, Finland, Italy, the Netherlands and Sweden support the austerity drive, according to a senior EU diplomat. But the threat to reduce regional aid has provoked concern among net recipients, notably Spain. These countries are already worried about losing their share of funds when the EU expands membership to the poorer countries of central and eastern Europe around the turn of the century.

Another obstacle to a budget agreement this week centres on the attitude of the European Parliament, which has the last word on "non-obligatory" spending in internal and external policies, such as environmental projects.

MEPs would like potential savings on agricultural spending to be allocated to the reserve which is under their control. At present, the Council of Ministers has the final word on farm spending because it is categorised as "obligatory". MEPs are also flexing their muscles in order to influence negotiations in the Maastricht treaty review conference - the inter-governmental conference - particularly their powers over the budget.

The issue at this week's minis-

terial meeting is whether the Commission can arrange a compromise between the forces of austerity for 1997 and those who want to increase spending in 1998 and 1999 as measures to boost growth and employment.

Mr Delev Samland, chairman of the parliament's budgetary committee, warned that "if there is no upward revision in the financial ceiling for 1998 and 1999, you will get less savings in 1997".

The Commission is walking a fine line. It wants to keep the bid on EU spending to damp expectations of an increase in the EU budget to cope with eastern enlargement. On the other hand, Mr Jacques Sauter, president of the Commission, is still pressing for a kickstart to use savings from the trans-European transport networks and EU research and development projects. All sides concede that the scare over mad cow disease (BSE) could scupper hopes of big budgetary savings.



David Levy (left), Israel's foreign minister, yesterday met Yasir Arafat, president of the Palestinian Authority, marking the first high-level dialogue between the new rightwing Israeli government and the Palestine Liberation Organisation. Report, Page 14

## Speculation mounts over rival bids by Korean companies for Kia Motors

# Samsung takes 5.1% stake in Hyundai

By John Burton in Seoul

Samsung has built up a 5.1 per cent stake in Hyundai Motors, the extrajurisdictional subsidiary of Hyundai, leading to speculation that South Korea's two largest conglomerates may be preparing competing bids for the independent Kia Motors.

Takeover rumours have been swirling around Kia, Korea's second-largest carmaker, since Samsung made an unsuccessful grab for the company three years ago.

Samsung said its interest in Hyundai Motors, accumulated gradually this year, was purely a portfolio investment, but it has come just before the abolition of Korea's ban on hostile corporate takeovers next year. At yesterday's closing market price of Won 31,200, up Won 200, Sam-

sung's stake was worth some Won63,960bn (\$78.6bn).

Hyundai officials regard the purchase as a move to prevent Hyundai from blocking a possible renewed bid for Kia by Samsung.

Hyundai views a Samsung/Kia merger as a threat to its position as Korea's leading car producer. Hyundai and its allies have built up a stake of almost 10 cent in Kia over the past year to protect

it from a possible renewed bid by Samsung.

Samsung is now the third largest shareholder in Hyundai Motors after Japan's Mitsubishi over attempt is unlikely to occur until the ban on hostile corporate takeovers is abolished.

It hopes to strengthen its defences against a bid by having

target of 1.5m cars by 2010. Kia currently has capacity to produce 1m vehicles a year.

Kia has vowed to maintain its independence. Any hostile takeover attempt is unlikely to occur until the ban on hostile corporate takeovers is abolished.

It hopes to strengthen its defences against a bid by having

Continued on Page 14

NEW STOCK MARKET INDICES	
New York: Dow Jones Ind. Av.	5,611.28 (+20.34)
New York: S&P 500	335.51 (+14.48)
London: FTSE 100	2,750.47 (+27.31)
Frankfurt: DAX	1,163.89 (+18.08)
US DOLLAR	
New York: Dollar Index	107.87
DM	1.4807 (1.4803)
FF	5.0422 (5.0320)
SP	1.2128 (1.2071)
Y	107.85 (107.74)
EURO	
DM	1.4807 (1.4803)
FF	5.0422 (5.0320)
SP	1.2128 (1.2071)
Y	107.85 (107.74)
NORTH SEA OIL (per barrel)	
Brent	\$19.50 (19.25)
Tokyo 6 class	¥187.50
US CURRENCY EXCHANGES	
UK: 5-year interest rate	5.75% (5.75%)
UK: 10 yr Gilt	6.75% (6.75%)
France: 10 yr OAT	6.25% (6.25%)
Germany: 10 yr Bund	5.25% (5.25%)
Japan: 10 yr JGB	5.75% (5.75%)
OTHER RATES	
US: 3-month interest rate	5.75% (5.75%)
US: 10 yr Treasury	6.75% (6.75%)
France: 10 yr OAT	6.25% (6.25%)
Germany: 10 yr Bund	5.25% (5.25%)
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First trade delegation in four years has three-hour meeting with Milosevic

Bosnia and Belgrade seek to rebuild ties

By Laura Silber in Belgrade

A high-level trade delegation from Bosnia yesterday met their opposite numbers in Belgrade in the first such visit since war began four years ago. Mr Rjup Ganic, Bosnia's vice-president, led a 15-strong delegation of trade officials and senior politicians in a two-day visit aimed at forging economic links with the Serbian regime, widely seen as responsible for fomenting war in former Yugoslavia.

"It is a risky step for me, but a very safe and sure step for Bosnia-Herzegovina," said Mr Ganic, before nearly three hours of talks with President Slobodan Milosevic of Serbia. Diplomats hailed Mr Ganic's mission, which included ministers from the Muslim-Croat Federation and Bosnian businessmen, as an important step towards establishing lasting peace in the Balkans.

The Bosnian visit was aimed at further isolating the Bosnian Serb leadership by establishing direct ties between Belgrade and Sarajevo. It was

announced last week by Mr Richard Holbrooke, the US envoy, during a round of shuttle diplomacy primarily focused on ousting Mr Radovan Karadzic, the Bosnian Serb leader wanted for war crimes. Diplomats said the visit was also intended to step up pressure on Mr Milosevic, who wants to win recognition for Serb-led Yugoslavia and rejoin international financial institutions. "Right now, the country is facing several suits abroad. Milosevic hopes that the visit will help cool off the situa-

tion," said a western diplomat. "The two countries are closer than before. It was a business-oriented meeting," Mr Ganic said after talks with Mr Milosevic, adding that the two countries had already recognised each other. In spite of the agreement between the Muslim-led Bosnian government and Serb-led Yugoslavia last November in Dayton to establish diplomatic, trade and communications links, little headway has been made so far. Under tight security, Mr

Ganic's delegation, which included Bosnian banking officials and company managers, also held talks with the Serbian Chamber of Commerce and local businessmen. The two sides discussed restoring air, rail and telephone links. Mr Vlatko Stojilkovic, head of the Serbian Chamber of Commerce, said yesterday, "Serbian companies are ready to participate in the reconstruction of Bosnia." His counterpart from Bosnia, Mr Ante Domazet, said he was counting on the politicians in

the delegation to create the framework to renew economic co-operation. Bosnia has been promised nearly \$50m in reconstruction aid over the next four years, but Serb-led Yugoslavia remains cut off from all international financial organisations. After 41 months of economic sanctions, which were suspended last November, and footing the bill for the Serb forces fighting in Croatia and Bosnia, the flagging Serbian economy would welcome any foreign trade.

Cut in German repo rate expected

By Andrew Fisher in Frankfurt

The Bundesbank is expected to cut one of its key interest rates - the securities repurchase (repo) rate - when it holds its last council meeting tomorrow before the summer break.

The latest in a series of hints came yesterday from Mr Ernst Welteke, a council member, who said the Bundesbank would "seriously discuss" whether recent data necessitated a change in policy. If so, this would only concern the repo, he told the Handelsblat newspaper.

Mr Welteke, president of the Frankfurt-based regional central bank for the state of Hesse, noted that money supply growth had eased and referred to the "not easily understandable" weakening of the dollar. His comments increased the expectation that the bank would allow the repo rate, which determines money market rates, to fall by lowering the present fixed rate tender or switching to a variable rate tender.

Mr Jürgen Pfister, economist at Commerzbank, said: "We believe something will happen on the repo." He pointed to economic uncertainty, nervousness about the stronger D-Mark, low inflation and moderate wage rises as factors that could prompt the Bundesbank to act. Ms Alison Cottrell, economist at PaineWebber International, agreed. "They clearly have to do something."

Mr Peter Lang, economist at Bayerische Vereinsbank, saw a 50-50 chance of a repo cut. "Two weeks ago, I thought it unlikely that this would happen." He said the signs pointing to a further easing in monetary policy had strengthened.

The Bundesbank left the repo rate unchanged when it cut the discount and lombard rates by half a percentage point to 2.5 per cent and 4.5 per cent in April. Mr Hans Thiemeyer, the central bank's president, then said it would see whether there was scope to lower the repo rate further, and repeated this last week.

Economists believe evidence that the economy is stuttering and money supply growth is decelerating has provided scope for a repo cut. Last week, they were surprised at the decline in the Ifo economic research institute's business sentiment index for June. Yesterday, Ifo said the manufacturing component of the index also declined over May.

Slower money supply growth also nourished hopes that the repo rate would decline, initially to 3.20-3.25 per cent and later to 3 per cent. M3's annualised growth rate slipped to 9.6 per cent from 10.5 per cent in May. This is still high, though, compared with the 1996 target range of 4.7 per cent, which the Bundesbank is expected to confirm tomorrow.

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Prime minister Juppé: hard-pressed to find a solution to mass unemployment, 'the gangrene of society'

Juppé steps up push to share out dwindling number of jobs

David Owen on France's search for answer to mass unemployment

If you cannot create enough work for everyone who wants it, then you should share out the work that is available more fairly. That, in essence, is the theory behind the drive to reduce working hours being pursued ever more diligently by the French government of Prime Minister Mr Alain Juppé.

With the number of jobless at 3.145m, within 11,000 of its highest level ever and important sectors such as defence and financial services continuing to shed labour at a rapid rate, the prime minister is desperate to find a way to bring unemployment substantially down.

It was he, after all, who said in May 1995 that his government would be judged by whether it could reduce "mass unemployment, the gangrene of society".

But with government spending under the tightest of reins and the economy stubbornly refusing to pick up, his options are limited. Encouraging companies to cut their normal working time to 32 hours a week is among the approaches he has hit on to generate an improvement.

Earlier this month, Mr Juppé held a job summit with employer and union representatives at which he again urged that the problem be addressed.

It is easy to see how the idea of encouraging people to work

three or four hours fewer a week to create work for others would appeal to the French sense of *égalité* and *fraternité*. But it is equally easy to appreciate why employers might worry that such a move would impair efficiency.

Indeed, the Patronat, the French employers' federation, describes the government's idea as "a false solution". It argues that countries where people work the longest hours tend often to have low rates of unemployment and suggests that by taking this position the government is accepting that the size of the employment "cake" cannot get any bigger.

At the summit this month the prime minister criticised a number of sectors for not yet having started negotiations as they had agreed to do last October.

"This situation does not seem normal to me," he said. "The expectations of our fellow citizens are very strong."

Some companies are seeking to turn the situation to their advantage, principally by seeking to tie a reduction in working hours to other objectives. One large company that has gone down the 32-hour-a-week route is Philips Consumer Communications, an arm of the Dutch electronics giant. The group recently decided to make Le Mans, south-west of Paris, its worldwide centre for mobile phone production. Manufacturing capacity at the

plant is currently 6,000-7,000 telephones a day.

The company has combined the move to shorter working hours with a switch from a five to a seven-day week. According to Mr Claude Hervouet, the Le Mans plant manager, the revised work plan means that the factory can operate 24 hours a day for about 355 days a year.

This is important, he says, because cellular phone manufacturing is a much more capital-intensive activity than making the cordless phones that the factory used to turn out. It is vital not to have expensive machinery standing idle.

The re-organisation has resulted in the company taking on 400 employees to add to the 500 already in place. It says about 50 of these new jobs are linked to the reduction in working hours.

Since none of the employees now working 32 hours a week will earn less than they did when working 35 hours a week, the adoption of the shorter working week involves a definite cost for Philips. In addition, those working Fridays, Saturdays and Sundays will work only 24 hours a week. But Mr Hervouet outlines a number of ways in which this cost will be offset.

First, with the number of hours worked at the factory up by 40 per cent, fewer production lines are needed to reach a given level of output. This cuts

down on investment costs, particularly in cases where an increase in factory floorspace would have been necessary to accommodate the additional production lines required under a five-day regime.

Second, the productivity of this workforce may improve because they are working fewer hours.

Third, Philips may qualify under a new law for a reduction in social security charges. Companies which reduce their working hours by 10 per cent and take on a corresponding proportion of new workers should so qualify.

Strictly speaking, Philips's reduction from 35 to 32 hours a week does not quite cross the 10 per cent threshold. But Mr Hervouet is hoping that the odd periods when workers are nominally on duty but are not actually at their jobs will be taken into account.

"In our case," he says, "the number of effective working hours will go down by more than 10 per cent. If they take into account only the hours when workers are present, rather than the number of effective hours, we get nothing."

The arithmetic of the Philips case suggests that a move to a shorter working week may be practicable for other French companies in capital intensive industries. The French government is investing a great deal of hope in this happening.

Havel bid to avert political crisis

By Vincent Boland in Prague

President Vaclav Havel yesterday called on Czech political leaders to set aside their differences. He was speaking at the start of a parliamentary debate that will make or break the three-week-old government of Mr Vaclav Klaus.

Addressing a tense parliament before it began debating a confidence motion on the minority government, Mr Havel appealed to the "statesmanship" of MPs to end the deadlock that has gripped the country since an inconclusive election last month.

He stressed the broad areas of agreement on policy issues between the centre-right coalition and the main opposition Social Democrats (SDS), and indirectly warned Mr Miloš Zeman, SDS leader, that to be an effective opposition leader it was necessary to have a government to oppose.

"I am confident the government will get your backing," Mr Havel added, describing the coalition (made up of the same three parties as in the old government, and with a largely unchanged cabinet) as "a qualified and well-mixed team".

Voting on the motion is expected today, with Mr Klaus tipped to win. But his centre-right coalition has only 99 of parliament's 200 seats and there is uncertainty over where he will find the extra votes - or the abstentions - he needs to guarantee him victory.

There is speculation that some opposition MPs will absent themselves before the vote. Mr Klaus needs only a simple majority of deputies present in parliament to win.

Mr Havel's presence in the chamber of deputies testified to the historic dimensions of the occasion. Not since the First Republic, when the two warring parties were common in Czechoslovakia, has parliament assumed such importance in Czech politics.

Aware of this, MPs crowded into the chamber for a debate billed as a showdown between Mr Klaus and Mr Zeman, and a key test of the fledgling Czech democratic process.

Except for deputies from the far-right Republican party, who accused the president of being partisan and walked out before he spoke, MPs briefly united to give Mr Havel a warm reception. He has won praise for his role as a neutral broker in attempts to end the stalemate.

Mr Klaus then delivered his government's policy programme in a speech promising lower income tax, decentralisation, a continued commitment to privatisation and economic reforms, and early integration with the west.

Later Mr Jiri Honzajar, a vice-chairman of parliament and a member of Mr Klaus's Civic Democratic Party, said the final confidence vote would come only after a long debate. "The vote will come either tomorrow afternoon or Thursday morning," he said.

Aérospatiale chief moves to rail

By David Owen in Paris

Mr Louis Gallois, head of the French aerospace group Aérospatiale, is to take over as chairman of SNCF, France's state-owned railway company.

His switch to terrestrial transport will fill the gap left by Mr Loik Le Floch-Frigent. The latter resigned as chairman recently following the rejection of his appeal against his detention in jail in connection with an inquiry into investments by Elf Aquitaine, the French oil giant, while he was chairman between 1989 and 1993.

However, the move seems less well timed from the viewpoint of Aérospatiale, whose merger with privately-controlled Dassault into a single aerospace group was confirmed only three weeks ago.

Mr Gallois had been expected to assume day-to-day control of a new executive

directoire at the merged group. The merger is expected to be completed within six months. His decision earlier this year to throw his weight behind a radical restructuring of Airbus Industrie was also vital to the announcement this month that the four-country European aircraft manufacturing consortium is to be turned into a single company.

The move, which is expected to take three years to complete, is aimed at turning Airbus into a lower-cost, more focused competitor to Boeing of the US.

At SNCF, Mr Gallois will inherit responsibility for a sweeping restructuring plan which is intended to provide what Mr Bernard Pons, France's transport minister, has described as "an original French solution" to its problems. The company has run up losses of more than FF350bn (\$7bn) in the past four years.

This plan involves the takeover by the

state of FF135bn of SNCF's infrastructure-related debt, the scrapping of the company's cumbersome system of five-year plans, and an experiment with regionalisation.

Much attention will focus on whether Mr Gallois can achieve the same sort of rapport with the SNCF's volatile trade unions as Mr Le Floch-Frigent is widely acknowledged to have established in his short six-month stint at the company's helm.

Mr Gallois, 52, has spent much of his career at various posts in the ministry of economy and finance and the ministry of industry. He has been chairman and chief executive of Aérospatiale since 1992.

Others thought to have been considered for the railway post include Mr Frédéric d'Allest, managing director of Lagardère Group, the mingles-to-magazines conglomerate.

Finance Ministry confident it can meet Emu criteria despite rise to 3.7% of GDP

Dutch brush off fears over budget deficit

By Gordon Gramb in Amsterdam

The Dutch budget deficit rose to at least 3.7 per cent of gross domestic product last year, confounding expectations it would remain at the 3.4 per cent level of the previous year, the government's Central Bureau of Statistics said yesterday.

But Finance Ministry officials and the domestic bond market brushed off fears that this could present any severe problem in meeting Maastricht convergence criteria for Euro-

pean monetary union. Under these targets, public deficits should be no more than 3 per cent of GDP by 1997.

"When necessary it will be well under 3 per cent," a ministry official said, describing the figures from the independent unit as historical and out of line with its own calculations. "We are going in the right direction," he maintained. "They are scientists, we are more practical types."

The ministry expects the deficit as measured by Emu requirements to fall to 2.8 per cent this year and 2.6 per cent at most by 1997. Data for that

year will be used to assess eligibility for membership of the single currency group.

According to Mr Marin van der Kroft, bond market economist at ABN Amro Hoare Govett, the upward revision "shows that a lot has to be done, but the market is now more oriented to the 1997 budget" to be unveiled in mid-September. There was a strong enough consensus in the ruling coalition for measures that would achieve the necessary reduction.

Greater concern surrounds the level of Dutch public debt,

which represented 78.6 per cent of GDP last year, well above a ceiling of 60 per cent for 1997 specified in the Maastricht treaty. "This will be more difficult to achieve," the ministry official acknowledged.

European Union leaders have given no clear indication on how flexibly they will choose to interpret the criteria, leaving open the possibility which breach one or more limits as long as the data indicated a firm trend towards convergence. Dutch official debt is by no means on a distinct

downward path, and by some measures may even be rising.

The statistics bureau, presenting its annual set of national accounts, revised GDP growth for last year downward to 2.1 per cent from its previously indicated 2.4 per cent, while growth in 1994 was restated at 3.4 per cent compared with 2.7 per cent.

The budget deficit for 1995 would have been as high as 9.2 per cent if special factors had not been removed. The underlying rise was blamed on a decline in revenues from tax and social security levies.

EUROPEAN NEWS DIGEST

IMF loan delay for Moscow

Russian and western officials yesterday sought to play down a decision by the International Monetary Fund to delay the July instalment of the \$20.2bn three-year loan it extended to Russia this year.

But the hold-up could be a political embarrassment for the fund, whose senior officials last week praised Russia's economic performance lavishly. The loan to Russia is the second largest in the IMF's history and the fund, which has been criticised for being too soft on Moscow, has in large measure staked its reputation on the success of the Russian programme.

Western economists close to the negotiations said the IMF's main concern was plummeting rates of tax collection, which dropped below 8 per cent of gross domestic product last month, and could create a fiscal squeeze.

IMF economists, who are scheduled to return to Moscow next month to review the situation, are said to be demanding clear evidence that the government has begun to act on its repeated pledges to boost revenue collection. If the fund is satisfied with Russia's performance during the August review, it could receive both the July and August tranches of the loan, some \$350m each.

Longer hours urged in Germany

Wage negotiators should agree to extend the working week in an attempt to reduce pay costs, Mr Hans-Peter Stihl, head of the Federation of German Chambers of Commerce, said yesterday. He was speaking as the economic research institute said wage costs needed to come down by 20 per cent.

"The shortening of working hours to recent years was a serious mistake that urgently needs correcting," Mr Stihl told the daily Bild Zeitung newspaper, saying a 40-hour week would be preferable to the current norm of around 37 hours which unions wish to shorten further.

"Shortening the work week while raising wages pushed wage costs up so high that hundreds of thousands of jobs have been lost," he said. Trade unions had to recognise there were only two possible ways of improving Germany as an industrial site - work more or have less money.

Brussels steps up actions

The European Commission stepped up action in 1995 against member states who are not applying EU law, according to a report published yesterday.

The Commission took 5,068 actions against member states last year compared to 4,802 in 1994. Cases included free movement of people, access to employment, the right of residence, sex discrimination, and the final abolition of the monopoly of port services in Genoa.

Denmark has the best record of giving effect to EU directives, with 97.9 per cent. The Netherlands is second with 97.2 per cent, and the UK third with 96 per cent. Spain, Luxembourg, Sweden, Germany, Ireland, France all beat the EU average of 90.7 per cent.

Austria (84.2 per cent) suffered because of delays in notifying farm legislation, while Finland's low mark (70.5 per cent) was due to the special autonomous status of the Aland Islands.

Lionel Barber, Brussels

Thirteenth annual report on monitoring the application of Community law. The European Commission, Brussels, Catalogue number CB-00-96-260-ENV-C. ISBN 92-73-05147-0.

Euro design prizes awarded

Prizes worth a total of just over Ecu75,000 (\$83,000) were awarded to the best designs for the euro in an unofficial competition aimed at stimulating public awareness in the planned single European currency. The first prize of Ecu20,000 for the design of euro banknotes (pictured above) was awarded to the Barcelona-based team of José María Codina and Jean Fontanals. Andreas Karl of Frankfurt won the Ecu10,000 prize for the design of euro coins.

Lionel Barber

Turkish hunger striker dies

A second Turkish hunger striker died at an Istanbul prison yesterday, two months after Kurdish and far-left detainees began a mass hunger strike in protest at conditions and harsh treatment in Turkey's prisons. Mr Altan Berdan Kerimoglu died two days after the campaign's first death. Human rights campaigners say about five other prisoners are close to death out of the 300 believed to be on hunger strike.

The new Islamist-led government has relaxed some controls, and hundreds of Kurdish prisoners have broken off their strike. But members of leftwing urban guerrilla groups held in 33 prisons vowed to continue their protest. They want the government to stop dispersing them to prisons around the country and to move prisoners out of the notorious Sakirpazar jail, known as "the coffin house". Security officials claim the prisoners had transformed Turkey's main jails into no-go areas and were even training there. Yesterday, the French government urged Turkey to improve prisons conditions and end the hunger strike.

John Barham, Ankara

Novartis to cut 7,400 jobs

Novartis, to be created from the planned merger of Ciba Geigy and Sandoz, the Swiss pharmaceutical companies, said yesterday it would cut 10 per cent of its 7,400-strong German workforce. The new company said production in Nuremberg, where Sandoz has its headquarters, would be shut down and business switched to other sites. A Munich-based production plant would also be closed by the end of 1996. Wehr, Ciba-Geigy's headquarters, would become the headquarters for the combined operations.

Reuter, Wehr

Slovak trade deficit widens

Slovakia's foreign trade deficit in the 1996 first half widened to Sk28,976bn (\$800m) from Sk25,630bn during the first five months, spurred mainly by rises in imports of vehicles, fossil fuels and electric energy, the Slovak Statistical Bureau (SUSR) said yesterday. Exports growth was also sluggish.

June's contribution to the overall deficit was Sk1,944bn, down from a May gain of SK4,044bn. Exports grew 2.1 per cent year-on-year in the first half, but imports jumped 23.6 per cent. According to the SUSR, fossil fuels and mineral oils made up Sk2,274bn of overall imports of SK154,60bn.

Slovakia's most exported commodities in the first half were iron and rolled steel, accounting for Sk12,892bn of total exports of SK127,59bn. The Czech Republic remained Slovakia's biggest trading partner, accounting for 22.1 per cent of exports and 25.5 per cent of imports. Germany followed with a 20.2 per cent of total exports, and Austria was third with 5.9 per cent.

Reuter, Bratislava

France's industrial production, excluding food and energy, fell a seasonally adjusted 0.2 per cent in May from April, Insee, the statistics office, said. Output excluding food and energy was unchanged in April, revised from an earlier estimate that it declined 0.1 per cent.

سكنا من الأصل



NEWS: ASIA-PACIFIC

Economic planning chief has secured backing for startling plan to deregulate tightly controlled Japanese economy
Top economist tries to overturn decades of Tokyo tradition

By William Dawkins in Tokyo

Many Japanese believe radical economic deregulation is needed to boost their maturing economy's capacity to grow, but it is hard to find anyone who also believes that such a thing is possible.

There is one startling exception: Mr Shusei Tanaka, an academic who is director general of the government's Economic Planning Agency, the equivalent of minister of economic planning.

Three weeks ago he started the bureaucracy, which feels understandably reluctant to shed the most extensive regulatory powers of any government of an advanced economy, by issuing what is by Japanese standards a radical deregulation plan. It calls for simultaneous lifting of government controls in six sectors: computers and telecommunications; distribution; finance; housing and property development; employment; medical care; and welfare.

Even more startling, Mr Tanaka, a member of the smallest party in the three-party government coalition, then obtained the conservative ruling Liberal Democratic Party's support for the scheme. Most

Mr Tanaka's targets for deregulation



"Economic reform is like a surgical operation. You need physical strength to receive it. Otherwise, if you catch a cold, you will die."

political observers believe the plan will like many earlier schemes, be diluted by the flood of opposition from vested interests.

Undeterred, Mr Tanaka argues that his time has come. He knows the field of battle well, as adviser on deregulation to four governments

over the past three years, and is a keen political tactician.

Much has changed since Mr Tanaka drew up his first deregulation plans under former prime minister Morihiro Hosokawa three years ago, the first non-LDP Japanese leader in nearly four decades. Mr Hosokawa was elected on a

mandate for change. But the domestic economy was in the trough of the worst recession in 60 years, so the need to stimulate activity with heavy injections of state investment came first.

"Economic reform is like a surgical operation. You need physical strength to receive it.

Japan's economy is continuing to grow at a moderate pace and is showing better prospects for a self-sustained recovery, the Bank of Japan said yesterday in its quarterly economic outlook report, reports Michio Nakamoto from Tokyo.

The central bank once again stressed the need to maintain a policy focused on laying a more solid foundation for recovery, seeking to allay widespread market fears of an imminent hike in the official discount rate.

One of the reasons for Monday's sharp fall on the Tokyo stock exchange was fear that the BOJ would soon raise interest rates, but yesterday's report helped push the index up 188 points to 21,163.

Mr Shunsaku Hashimoto, chairman of the Federation of Bankers' Associations of Japan, said yesterday that cor-

porate fund demand for capital investment remained sluggish and would have to grow further to keep the recovery on track. Without further progress in investment, it was far from certain interest rates would go up, he said.

Meanwhile, leading indicators reported by the Economic Planning Agency, confirmed the modest pace of the recovery.

The coincident index of economic indicators, which gauges the current economic state, rose slightly in May and stayed below the key 50 per cent line for the third month in a row, the EPA reported.

The diffusion index of leading economic indicators, which predicts economic conditions in six months, however stayed above the 50 per cent line for the second month in a row, at 68.7 per cent, suggesting a pick-up in the near term.

businesses and voters of the need to deregulate is, however, another matter. Contrary to the conventional wisdom that people lose interest in reform when the economy is recovering, Mr Tanaka believes the popular taste for change is growing.

His political contacts indi-

cate mounting public concern that, despite the recovery, unemployment continues to rise - now at a record 3.5 per cent - and that manufacturing industry continues to desert Japan in search of lower costs and faster growing markets abroad. Both are symptoms of an economy constrained by rules and regulations.

"Despite our strength, there are defects and Japanese people are coming to understand this," he maintains.

These defects were just as visible three years ago. But then, the US was pressing hard for the reduction of Japanese trade barriers at the very moment when the political mood was, as it is now, inimical to foreign pressure. But there is one vital difference. "The current feeling is that economic reform is for the benefit of Japanese, rather than foreigners," he explains.

The other important change has taken place in the finance ministry, Mr Tanaka argues. It plays a decisive, usually conservative, role in deregulation because it is rarely possible to remove a barrier to competition in Japan without compensating the losers with a government support fund. Of course, the ministry holds the purse strings as well as control of

financial regulations. Contrary to the popular view, Mr Tanaka believes the finance ministry has always supported deregulation. But it has given the impression of resisting change because it has always wanted economic reform to proceed at a slow pace to maintain market stability.

But he believes the ministry has over the past year become more open to the rewards and risks of economic reform because it has become less able to afford repeats of the recent massive fiscal stimulation packages, like last September's record Y14,230bn (\$129.4bn) public works and investment scheme. As the government's underlying annual budget deficit approaches 8 per cent of gross domestic product, ministry policy makers are more prepared to consider deregulation as a cheaper form of economic stimulus, he argues.

But the problem is, that in the finance ministry's hands, the pace of deregulation is still slow. Mr Tanaka cites a Japanese proverb to the effect that a carp on the chopping board does not have the right to tell the chef which bits should be sliced off. The finance ministry, he says, is that carp.

Tax shadow over 'holy' sumo

A fresh shadow was cast over the holy image of sumo, the Japanese national sport, yesterday when tax authorities ordered the country's top wrestler, Takanohana, and his family to hand over Y125.7m (\$1.1m) in unpaid taxes and fines.

This is the first time that a yokozuna (grand champion), normally afforded semi-divine status, has fallen foul of the tax law in the history of Japan's national sport, whose origins go back to the roots of the Shinto religion itself.

The ruling came after an investigation by the Tokyo regional taxation bureau found that Takanohana, the grand champion, his elder brother Wakanohana, another star wrestler, and their father, Futagoyama, had failed to report nearly Y300m cash income in the three years to 1995. Of the total, Futagoyama was said to have failed to report Y300m.

This strikes at the heart of

sumo at a time when the sport's reputation has been sullied by allegations of match rigging, mixing with gangsters, sexual misdemeanours and dope smoking.

Sumo wrestlers have long been known to handle cash more loosely than they handle opponents, but this is the first time the authorities have struck at the very top. Last weekend, Takanohana won his 14th tournament, an achievement betared by only four wrestlers, and he is one of the only two yokozuna currently active. Fighters from the same stable have won each of the past eight tournaments, one of the best post-war scores of any stable.

In an attempt to maintain the dignity of their profession, the wrestlers yesterday assumed an air of hushed innocence. "I was shown by national tax authorities how to pay my taxes correctly and I will follow their recommendations," said Takanohana. His

father, who will pay the lion's share of the fines, said the affair was "beyond my knowledge and experience".

Takanohana and his brother, who fights one rank below him, were between them ordered to repay Y40m in back taxes and their father Y96m.

William Dawkins on the scandal in the country's national sport

The tax authorities found Takanohana had neglected to report a payment from a television network for the exclusive right to broadcast his wedding last year to Keiko Kono, a newscaster.

Wakanohana had overlooked Y9.2m in sundry cash handouts. Fans are prepared to pay hundreds of thousands of yen for the privilege of taking a wrestler out to dinner, or

being photographed with him. Futagoyama had failed to report the donation by his fan club of senior politicians and businessmen of a Y300m share in the Japan Sumo Association (JSA).

A book, Match Rigging, recently published by a retired wrestler, Ohnaruto, speculates that the intense competition to become a JSA shareholder has contributed to an increase in match rigging. He wrote that wrestlers are prepared to pay up to Y600,000 to buy a colleague's defeat, to avoid demotion and a pay cut.

Ohnaruto died in April, in the same hospital and within three hours of his manager. Later, the JSA issued criminal libel charges against his publisher and a magazine which had printed a series of articles by Ohnaruto. But by then, the damage had been done. Sumo experts in Tokyo believe the book had attracted the tax authorities' attention, leading to yesterday's fines.



Takanohana: tax problems

US call to help back Korean N-pact

By John Burton in Seoul

Mr Warren Christopher, US secretary of state, yesterday urged Asian countries to help finance a nuclear agreement with North Korea that is suffering from funding problems.

"Measured against the cost of heightened tensions, let alone armed conflict, such support is a responsible investment in the security and prosperity of the Asia-Pacific region," Mr Christopher told the Association of South East Asian Nations (Asean) regional security forum in Jakarta.

Under a 1994 US-North Korean agreement, Washington agreed to supply new nuclear reactors and energy supplies in return for Pyongyang scrapping its suspected nuclear weapons programme.

Mr Stephen Bosworth, head of the Korean Peninsula Energy Development Organisation (KEDO), the international consortium responsible for the North Korean nuclear reactor project, arrived in Seoul to discuss cost-sharing for the reactors.

South Korea's Korea Electric Power, the project's prime contractor, estimates building the two light-water nuclear reactors will cost \$5bn.

South Korea is expected to offer \$5bn, while Japan will provide another \$1bn. This leaves a \$1bn shortfall which KEDO hopes will be filled by the European Union and Asian countries. The US is leading the KEDO project, but has only pledged a "symbolic amount".

EU angry at UK, France on Asean move

By James Kynge in Jakarta

The Asean Regional Forum, a caucus for debating security issues in Asia, yesterday said it might grant membership to the UK and France, even though both countries are already represented through the European Union's participation in the grouping.

The forum brings together foreign ministers from 20 countries as well as the EU. It allows China, Russia, the US, Japan, India and others to debate security issues in an open forum once a year with the seven members of the Association of South East Asian Nations (Asean) - Malaysia, Thailand, Indonesia, Singapore, Brunei, the Philippines and Vietnam.

A European Commission official expressed dismay at the British and French application. He said that the move displayed a lack of trust by London and Paris in the abilities of the EU and added that, if the two countries' memberships were approved, it could dilute the EU's importance within the Asean Regional Forum and create confusion.

"This certainly creates frictions," the official said. Mr Ali Alatas, Indonesia's foreign minister and chairman of forum this year, confirmed that formal applications from the UK and France had been received.

He said the applications, for participation alongside the EU, would be considered at future forum meetings.

Two senior Asean officials said that under new guidelines announced yesterday the UK and France would be more fitting as forum members than the EU. The guidelines state that members must be sovereign states and should have a clear relevance to Asean on security matters. The UK and France are both nuclear powers and permanent members of the United Nations Security Council.

Separately, Mr Warren Christopher, US secretary of state, urged Asian nations to encourage political pluralism in Burma and warned that a failure to do so could raise "the chances of instability, bloodshed and migration within Burma and across its borders".

The US, along with Japan and the EU, are concerned at the detention of pro-democracy activists and restrictions imposed by Rangoon's military rulers on advocates of political reform.

Mr Ohn Gyaw, Burma's foreign minister, told the Asean Regional Forum of the country's plans for political change.

He failed to announce any conciliatory political initiatives, but diplomats said they hoped pressure from western and Asian foreign ministers might help change Rangoon's outlook.

NORTHERN ROCK BUILDING SOCIETY
Highlights of the Interim Report for 6 months ended 30th June 1996
Assets now £12.9 billion - up by 12% compared with 31 December 1995.
Pre tax profits up to £86 million - an increase of 16% compared with the 6 month period ended 30 June 1995.
Net lending of £1.2 billion - an increase of 7% compared with the 6 month period ended 30 June 1995. This represents a market share of around 16% of the UK mortgage market.
Reduction in Administrative Expense to Income Ratio to 31.5% compared with 32.5% for the 6 month period ended 30 June 1995.
Reduction in Administrative Expense Ratio to 0.74 compared with 0.77 per £100 of net assets for the 6 month period ended 30 June 1995.
Arrears rates of one month and over reduced by 22% compared with arrears at 30 June 1995.

ASIA-PACIFIC NEWS DIGEST
Sri Lanka army set for attack
The Sri Lankan army massed new troops on a northern beach yesterday to prepare for an assault on a military base in eastern Sri Lanka where Tamil rebels claim to have destroyed the entire 1,300-man garrison.
The rebel attack, launched last Thursday, was in its sixth day, with at least 700 combatants killed on both sides. The rebels have started destroying military structures at the base, once the township of Mullaitivu, 170 miles north of the capital, Colombo.
Military officials said it seemed the rebels - marking the 13th anniversary of their separatist war with Colombo - had overrun the base. The two sides gave conflicting casualty reports, the rebels claiming 1,208 soldiers and 241 guerrillas killed, while the military said 500 soldiers and 400 rebels had died. Seven people, including five soldiers, were killed as violence continued in north-east Sri Lanka, the defence ministry said. AP-DJ, Colombo
Australia public servants strike
Some 65,000 public servants in Australia go on strike tomorrow in protest at planned federal government spending cuts. The 24-hour stoppage was endorsed at union meetings across Australia yesterday, and is likely to disrupt services ranging from airport customs to unemployment offices. The Community and Public Sector Union has warned 15,000 jobs could be axed as the conservative coalition government tries to cut A\$8bn (\$6.3bn) from federal spending over the 1996-97 and 1997-98 financial years.
Meanwhile, coalminers started a national strike yesterday after eight members of the Construction, Forestry, Mining and Energy Union picketing the Vickers coal mine in New South Wales were arrested. The mine is owned by RTZ-ORA, the Anglo-Australian mining group, and miners there have been on strike since last August, in protest at company plans for 12-hour shifts and other changes to employment conditions. The union said mineworkers would remain on strike nationally for at least 48 hours. Nikki Tai, Sydney
New Zealand First support falls
Support for the New Zealand First party, main rival to the governing National Party, has fallen dramatically according to latest opinion polls. NZF fell five points to 20 per cent; personal support for Mr Winston Peters, NZF leader, fell eight points to 19 per cent, ending a period where NZF looked likely to replace the Labour party as the main opposition party.
The latest surveys suggest National is steady on 43 per cent, while Prime Minister Jim Bolger saw his personal popularity rise seven points to 37 per cent. Labour rose three points to 19 per cent. The election is due in October. Terry Hall, Wellington
Japan food epidemic kills two
Japan's food poisoning epidemic worsened yesterday when two people died from a bacterial infection that has made thousands sick. A 10-year-old schoolgirl and an 85-year-old woman were the first fatalities of the outbreak which started in the west Japanese town of Sakai 12 days ago.
Their deaths bring to seven those who have died from the germ in Japan this year. Since May, more than 8,000 have come down with severe fever after contracting the O-157 colicin germ from food. Reuser, Osaka

IPC Corporation Ltd, Singapore
has acquired 14% of the share capital of
Hagenuk Telecom GmbH, Kiel
The undersigned acted as exclusive financial adviser to IPC Corporation Ltd
DEUTSCHE HANDELSBANK AG
CREDIT LYONNAIS GROUP
July 1996

سكزامن الاصل

# Rand under fire as union troubles grow

By Roger Matthews in Johannesburg

The South African rand came under renewed pressure yesterday as the government and unions continued their public row over economic policy and as the first national textiles strike was about to begin.

The currency lost more than R0.04 against the dollar in the first hour, but traders said the fall was influenced by reports that the Reserve Bank's exposure on forward dollar sales had more than doubled in the past four months. The bank again intervened to steady the rand, which closed at R4.43 against the dollar, down R0.05 on the day.

The Reserve Bank said later it had "no problems" with the report that its overvalued position on forward dollars stood at \$14.5bn. This was half the figure of March 1995, and the market had overreacted.

Mr Trevor Manuel, the finance minister, yesterday dismissed accusations from the biggest trade union federation that his economic policies were "a certain recipe for disaster". He insisted the new policy document did not stray from the government's commitments when it took office more

than two years ago.

Mr Sam Shilowa, general secretary of the Congress of South African Trade Unions (Cosatu), said on Monday that the document's emphasis on cutting the budget deficit, removing exchange controls, and privatising state companies, was contrary to the policies of the ruling African National Congress. He warned of a possible crisis in the ANC's alliance with Cosatu and the South African Communist Party.

The clothing and textile workers union yesterday announced that its 22,000 members would begin an indefinite strike tomorrow. The strike will halt more than 1,200 factories, and, according to employers, cost R18m a day in lost output. The union is demanding a 10 per cent pay rise, but employers have refused to go beyond 8 per cent.

President Nelson Mandela was also drawn into labour disputes yesterday after more than 2,000 striking miners camped all night outside the Union Buildings in Pretoria. The president urged them to return to work at the Rustenburg, the world's largest platinum mine, where all 28,000 men have been dismissed. Editorial Comment, Page 13

# Israel eases the blockade, but not the pain

Palestinians are still frustrated by the age limit, writes Ilene Prusher



A soldier uses a bar code reader to check a Palestinian's identity at the Erez checkpoint where Israeli work permits are issued.

It is 6pm at the Erez checkpoint between Israel and the self-ruled Gaza Strip. Middle-aged and older Palestinian labourers wait in a queue to be admitted to Gaza after a day's work in Israel.

Most of their sons are at home. With Israel's blockade on the West Bank and the Gaza Strip, the middle-aged men trek to factories and farms while the youngest and most able-bodied stay at home.

This is why few Palestinians cheered when Mr Benjamin Netanyahu, Israel's new, right-wing prime minister, announced that he would allow another 10,000 Palestinian workers into Israel as of last weekend. All must be older than 30 and married.

Shuki Muntaz Sawafri, for one, was hoping to be allowed into Israel to seek manual jobs, such as home renovation. But he and another brother in his 20s, both unmarried, are still at home with their family of 11.

According to officials of the Palestine Liberation Organisation, the closure has led to unemployment of 80 to 85 per cent in Gaza.

"I'd like to have the chance to work," said Mr Sawafri, a supporter of Mr Yasser Arafat, president of the Palestinian Authority. "I am very sad to hear that Netanyahu defined

the age, because it's just making things worse for me," complained Mr Sawafri, who said his father was not well enough to work.

Israel clamped a tight blockade on the Gaza Strip and the West Bank after a series of Moslem suicide bombings in February and March killed 59 people in Israel. Under the easing of the closure - which Israelis call a security measure and Palestinians call collective punishment - only older, married workers are allowed to enter. The profile of an Islamic fundamentalist on a mission to martyrdom, it seems, is a young, single man with little to lose.

According to the Palestine Economic Pulse, a bi-monthly research magazine, during periods of full closure Palestinians lost \$14.7m a week in income. Mr Faisal Hussein, the leading PLO official in Jerusalem, said the total figure was about \$4m to \$5m a day if lost income to businesses and corporations was counted.

Mr Hussein said that an additional 10,000 workers were

not enough and said the number of labourers allowed into Israel should be increased to the level before Israel began using the measure in January 1995.

"When they are talking about reducing the closure, they are still talking about 10 per cent of the regular situation, which really is not helping a lot. What we are calling for is a lifting of the whole closure," Mr Hussein said.

But it would be difficult for Israel to admit anywhere near the 100,000 workers - Palestinian say 150,000 when counting illegal labourers - who used to work in Israel. During the past two years and increasingly so in the past six months, Israel has brought in foreign workers from places as diverse as Thailand, Romania and Ghana. According to recent government figures, there are now between 200,000 and 250,000 foreign workers in Israel.

Though some Israelis like workers who are unlikely to feel any political animosity towards them, others are sounding warning bells about

the problems other nations with large foreign worker populations have faced.

Mr Shlomo Dror, Israel's co-ordinator of activities in the territories, said the foreign workers were on temporary permits and would not replace Palestinian labourers.

"The Palestinians are people we have some responsibility for. We have complaints from many Israelis who have do not have enough workers for their factories and farms," he said.

As part of the loosening of the closure, Israel would allow entry permits to 350 traders, about 240 medical personnel, and 10 ambulances, he said. It would also allow passage to more taxis and delivery trucks, without which business and travel have been severely disrupted.

Palestinians are still sceptical of Mr Netanyahu's moves. The premier, whose hardline positions on Middle East peace have strained Israel's relations with its Arab neighbours, may have been in need of a gesture to demonstrate he was not completely insensitive to Palestinian needs.

Indeed, easing the closure is one of the few moves he is able to make to please Arab leaders without backing away from his campaign stance against the land-for-peace formula.

## PLO officials say Palestinians are losing about \$4m to \$5m a day

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not enough and said the number of labourers allowed into Israel should be increased to the level before Israel began using the measure in January 1995.

"When they are talking about reducing the closure, they are still talking about 10 per cent of the regular situation, which really is not helping a lot. What we are calling for is a lifting of the whole closure," Mr Hussein said.

But it would be difficult for Israel to admit anywhere near the 100,000 workers - Palestinian say 150,000 when counting illegal labourers - who used to work in Israel. During the past two years and increasingly so in the past six months, Israel has brought in foreign workers from places as diverse as Thailand, Romania and Ghana. According to recent government figures, there are now between 200,000 and 250,000 foreign workers in Israel.

Though some Israelis like workers who are unlikely to feel any political animosity towards them, others are sounding warning bells about

### EU angry at UK, France Asean move

**Crude steel making in North and Asia**

Country	1995	1996	1997
North America	12,950	13,000	13,000
South Korea	12,950	13,000	13,000
Taiwan	12,950	13,000	13,000
China	12,950	13,000	13,000
Total Asia	12,950	13,000	13,000

# UN warns of big world steel glut

The world is heading for a glut of crude steel capacity in the next few years, as output threatens to outstrip demand, according to the United Nations Economic Commission for Europe.

In its annual review of the global steel market, the ECE estimates that about 76m tonnes of new crude steel-making capacity will come on stream in North America and Asia between 1995 and 1999. This compares with current world output of 750m-800m tonnes a year.

Of the total new capacity, about 18m tonnes will be in North America, all of it using new electric arc furnace technology, and 58m tonnes in Asia, of which 38m tonnes will use electric arc furnaces.

These ambitious plans have been spurred by the success of new technologies in steel production and continuing robust growth in steel demand, the ECE says. However, the only region in the world where steel demand is increasing strongly

is Asia, which is unlikely to be able to absorb the predicted increase in supply.

"Furthermore, there are still many expansion plans to go into effect after 1999-2000," the ECE says, noting that the new capacity planned for North America will halve US imports from their current level. "Fears of oversupply are likely to be realised."

China's future demand for steel will be one of the determining factors, according to the review. Chinese steel consumption stagnated between 1985 and 1990 but then rose 11 per cent a year between 1990 and 1995.

However, the increase has not been smooth. It was 82m tonnes in 1992, 122m tonnes in 1993 and 96m tonnes in 1995. In years when China's steel use drops there could be massive overcapacity, the ECE warns.

Growth of steel demand is slowing in South Korea and Taiwan, while steel consumption will continue to rise rapidly among members of the Association of South East Asian Nations (Asean).

# UN code on crime against mankind

International legal experts have put the finishing touches to a draft code of crimes "against the peace and security of mankind" under which individuals responsible for the most heinous crimes under international law would be subject to international jurisdiction and punishment.

The five crimes defined by the code are aggression, genocide, crimes against humanity, war crimes, and crimes against United Nations personnel.

The draft code, which now goes to the United Nations General Assembly for decision, is the product of 16 years' work by the International Law Commission comprising 34 independent legal experts.

Plans for such a code were originally floated in 1949, after the Nuremberg war crimes trials, but the onset of the cold war halted progress.

Prof Ahmed Mahiou, chairman of the commission, yesterday said that recent humanitarian calamities in Bosnia and Rwanda had increased recogni-

tion by the world community that a code of this kind was necessary.

The commission had selected to include in the code only those crimes that were already enshrined in existing statutes and conventions, accepted in principle by all countries, he said.

Individuals charged with crimes under the code could be tried in national courts, or by ad hoc international tribunals such as those for the former Yugoslavia and Rwanda, or by a permanent international criminal court, recommended by the commission and now under consideration by the UN.

Prof Mahiou said a permanent court would ensure that the perpetrators of crimes committed anywhere in the world could be brought to justice, with the court acting as a backstop where national governments were unwilling or unable to prosecute themselves.

For crimes of aggression, a permanent court was essential since national judicial systems might not be impartial.

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Guardian  
Guardian Royal Exchange Group

# Trafalgar to manage Georgia pipeline

By Robert Corzine and Bruce Clark

The main consortium drilling for oil off the coast of Azerbaijan has named John Brown Engineers and Constructors, part of the Trafalgar House conglomerate recently taken over by Norway's Kvaerner group, as lead manager in a \$275m project to build a pipeline across Georgia.

The decision by the Azerbaijan International Operating Consortium is the first in a series of construction and supply contracts to be awarded between now and December.

Improving prospects for the early completion of the Georgian pipeline, which will take two years, have been welcomed by President Eduard Shevardnadze, who is struggling to stabilise his country's turbulent western regions.

Georgian politicians have in recent days threatened to order Russian peacekeepers out of the former war zone of Abkhazia, which lies to the north of the pipeline route. However talks on a peaceful resolution of Abkhazia's future resumed in Moscow this week.

The Georgians want Russia to help them resettle ethnic Georgian refugees in Abkhazia as opposed to simply patrolling the former battle lines. John Brown has agreed to use a large number of Azerbaijani and Georgian workers in its project, which is one of two pipelines that will carry early oil output from the three offshore fields in the Caspian Sea being developed by the AIOC.

Work on a northern route through Russia is already under way and is due to be completed by the end of the year.

The contract covers the refurbishment of an existing oil pipeline linking Baku with the Georgian Black Sea coast, as well as the installation of new pipeline sections, pumping stations and control and communications systems.

Other companies taking part include Baku Kvaerner Kemyer, Tbilisi John Brown Kvaerner and Kvaerner Engineering.

# Doubts grow over Europe's leadership of space launch industry

## Ariane 5 rocket faces more delay

By David Owen in Paris

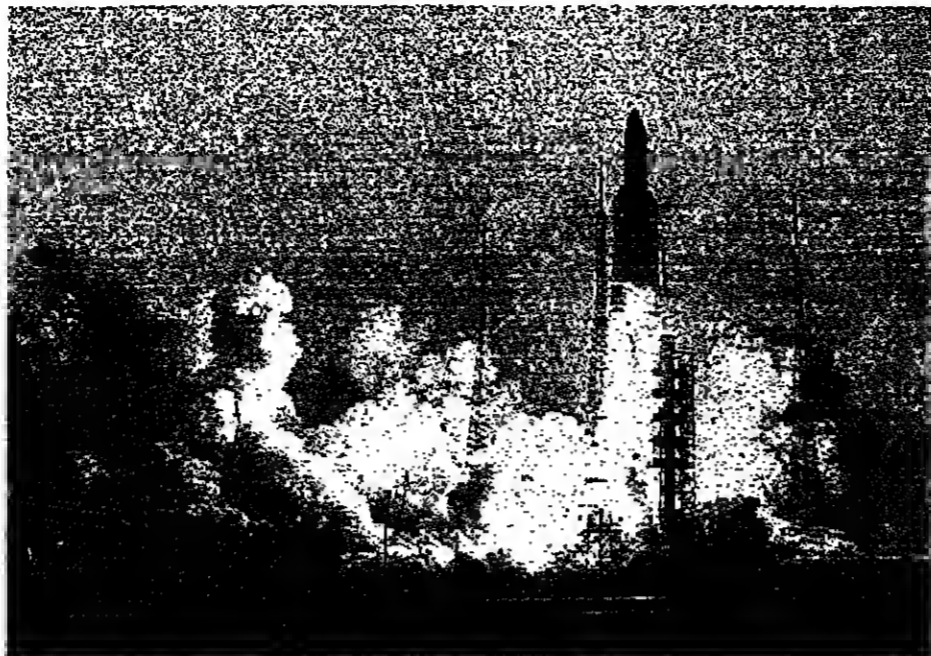
The European Space Agency yesterday confirmed that the first commercial flight of the new Ariane 5 rocket, whose maiden flight was aborted last month, will not take place until well into next year.

Mr Jean-Marie Luton, director-general, told a Paris press conference the launch of the second Ariane 5 was likely to be postponed until "the middle of the first half" of next year.

He said no decision had been made on whether even the third Ariane 5 flight would have a commercial payload, let alone the second. Arianespace, the France-based 53-company consortium charged with marketing Ariane rockets, had originally planned a first commercial flight in January.

This new setback to Europe's hopes of retaining long-term leadership of the \$3bn-a-year commercial space transport industry emerged as software errors in the rocket's guidance system were officially blamed for the failure of the first Ariane 5 flight in June.

The rocket, the largest built in western Europe, was blown



DOOMED: The Ariane 5 blasts off seconds before the fatal error

up by the command centre after it veered off course less than 40 seconds into its maiden flight from the Kourou space centre in French Guiana. The

launch cost an estimated \$500m and rained flaming debris over a wide area. The report of the independent inquiry board into the

failure, published yesterday, concluded it was caused by the "complete loss of guidance and attitude information... due to specification and design errors

in the software of the inertial reference system".

It said tests carried out during the rocket's development programme "did not include adequate analysis and testing of the inertial reference system or of the complete flight control system which could have detected the potential failure".

The inquiry panel made 14 recommendations to avoid a repetition of the failure. These included a critical reappraisal of all software, a review of the mechanisms for managing the failure of more than one component and better overall software co-ordination.

Mr Luton - who faced hostile questioning from journalists on why certain precautions had not been taken - emphasised that there had been "errors" but said that the "overall system architecture, including the computers" had not been called into question. "We are all guilty and we will take responsibility," he said.

He said the failure cost between FF900m and FF1.5bn (\$155m and \$230m) - or 2 to 4 per cent of the FF40bn investment made in the rocket. Observer, Page 13

# Morocco signs up Daewoo for \$1/2bn projects

By Fouad Kharroubi

Daewoo has signed an agreement with Morocco to invest up to \$500m in projects over the next few years, to the delight of Moroccan officials who have been courting the South Korean group for more than a year.

In the largest foreign investment deal in Morocco to date, Daewoo's investments will target the tourism, telecommunications and industrial sectors, with expectations of creating up to 2,000 jobs.

The details and the timeframe for the investments are still sketchy, but Moroccan officials said Daewoo had agreed to purchase a prestigious hotel in Rabat this year, to be followed by a bid for a stake in the telecommunications company. Morocco's privatisation ministry has been keen to privatise the telecoms sector but has yet to include it on the privatisation list. Parliament must also approve the privatisation.

In a third phase, the South Korean company plans to invest in an industrial site near Casablanca to manufacture domestic appliances for both the home market and for export to Europe and other North African countries. "This is a most important investment," said Mr Nabil Kharroubi, an official at the ministry of finance and foreign investment. "We hope that this will act as a locomotive to bring in other investors."

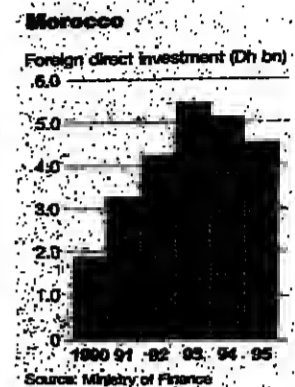
Attracting foreign direct investment is a key ingredient in Morocco's efforts to raise productivity as it opens up its economy to Europe. Under the partnership accord agreed with the European Union last year, Morocco must dismantle all tariff barriers within 12 years and has been urged by the World Bank to do so sooner.

But stifling bureaucracy, an unreliable justice system and a poorly qualified workforce have generally kept foreign investors away. Although foreign direct investment jumped nearly tenfold in the last

decade, it stood at just \$450m last year. King Hassan II's court and government ministers have been willing to facilitate matters and cut red tape for large investors they are keen to attract. Morocco's investment charter also gives added advantages to big investment projects.

Daewoo certainly falls within this category. A year ago, the ministry of finance and foreign investment drew up a wish list of companies - with Daewoo right at the top - that it would like to see invest in Morocco. Then it simply sent letters to their chief executives inviting them for a visit.

"We said the product is



Morocco - you can consider everything, we need everything and we are not targeting anything specific," recalled Mr Kharroubi.

Among the incentives provided to Daewoo was a promise by the government to build the infrastructure for the new industrial site and help finance the building of the actual plant.

Having clinched a commitment from Daewoo, officials were not too bothered about how long it would take the company to start operating. "We are willing to build the site any time," said Mr Kharroubi. "Daewoo has a policy and a budget and they are investing a large amount over several years, we know it might take two to four years."

# Commission report warns of unilateral protectionism against low-wage exporters

## WTO urged to tackle labour standards

By Guy de Jonquieres in Brussels

The multilateral trade system risks being undermined by protectionism unless the World Trade Organisation tackles the subject of labour standards, a European Commission policy paper has warned.

Although the politically sensitive paper emphasises that it is not seeking to discriminate against poor countries or penalise low-wage exporters, it seems certain to add to a controversy, both between the EU's members and with many of its trading partners.

The paper, by Sir Leon Brittan and Mr Padraig Flynn, the trade and social affairs commissioners, is expected to be approved by the full commis-

sion today. European Union ministers will then be asked to endorse it for submission to the WTO's ministerial conference in Singapore in December.

Last weekend, foreign ministers of the seven members of the Association of South East Asian Nations - Malaysia, Vietnam, Indonesia, Brunei, Thailand, Singapore and the Philippines - condemned attempts to link trade and labour standards, which are also being pressed by the US. The ministers said they would oppose any discussion at the WTO conference of matters not strictly related to trade.

The paper may attract criticism from senior trade officials of Asian governments at a two-day meeting with their EU

counterparts which opens in Brussels today. The meeting is intended to discuss follow-up measures to the Bangkok summit of Asian and EU leaders earlier this year.

The issue may also divide EU governments. France, Belgium and most southern EU members are pressing strongly to have labour standards placed on the WTO agenda, while Germany, the Netherlands, Finland and Sweden say they are prepared to consider the idea. But Britain strongly opposes such a proposal.

The paper does not urge the WTO to adopt any specific measures, but calls on it to set up a working group to study labour standards, and work more closely with the United Nations and the International

Labour Office to ensure that core rights are more widely respected.

"If the WTO fails to take up the challenge, there is a real danger that unilateral protectionist measures could emerge as this failure is viewed as evidence of a refusal to tackle abuses. These measures could, in turn, serve to destabilise the progress already achieved in relation to trade liberalisation," the paper says.

It says the aim should be to stamp out genuine abuses, not to harmonise international employment standards, remove the comparative advantage of countries with low wages or legitimise trade protection.

It supports recent efforts to strengthen the disciplines of the ILO and to make more

effective the organisation's efforts to monitor members' compliance with its human rights conventions.

This week's meeting of senior Asian and EU trade officials is expected to discuss preparations for the WTO ministerial conference and proposals for lowering barriers to trade and investment between the two regions.

But even if open disagreements over labour standards can be avoided, the meeting seems likely to reach few important decisions. EU officials say the enthusiasm of many Asian governments for ambitious initiatives to strengthen economic relations and advance liberalisation seem to have cooled since the Bangkok summit.

# ÁPV RT. HUNGARIAN PRIVATISATION AND STATE HOLDING COMPANY

## NOTICE OF TENDERS for shares of three companies within the Hungarian electricity industry

The Hungarian Privatisation and State Holding Company (ÁPV Rt.), H-1133 Budapest, Újpesti rakpart 31-33., Hungary, hereby gives notice of one round open tenders for the following:

I. Bakonyi Erőmű Rt. (Bakony Power Plant Limited), H-8401 Ajka, Gyártelep Pf. 134, Hungary - 61.18% of the Ordinary Shares, with a nominal value of HUF 9,927,290,000, together with an obligation to purchase such additional number of shares (to a maximum of 15% of the Ordinary Shares) as are not taken up by employees pursuant to specific rights of the employees to do so.

Tenderers are required to have consolidated shareholder funds of a book value equivalent to at least HUF 5,516,580,000 and are required to have adequate experience in operating coal-fired power plants and to own power plants with an aggregate installed electrical capacity of at least 183 MW.

II. Pécsi Erőmű Rt. (Pécs Power Plant Limited), H-7630 Pécs, Edison u. 1., Hungary - 61.98% of the Ordinary Shares, with a nominal value of HUF 9,177,620,000, together with an obligation to purchase such additional number of shares (to a maximum of 15% of the Ordinary Shares) as are not taken up by employees pursuant to specific rights of the employees to do so.

Tenderers are required to have consolidated shareholder funds of a book value equivalent to at least HUF 6,008,710,000 and are required to have adequate experience in operating coal-fired power plants and to own power plants with an aggregate installed electrical capacity of at least 226 MW.

III. Vértesi Erőmű Rt. (Vértes Power Plant Limited), H-2841 Oroszlány, Kültérület Pf. 23, Hungary - 74.89% of the Ordinary Shares, with a nominal value of HUF 17,065,450,000, together with an obligation to purchase such additional number of shares (to a maximum of 15% of the Ordinary Shares) as are not taken up by employees pursuant to specific rights of the employees to do so. In addition, in the event that a projected capital increase in Vértesi is implemented, additional Ordinary Shares in Vértesi will be offered for sale such that the total percentage of Ordinary Shares offered to Tenderers will in no case represent less than 74.89% in the increased registered capital of Vértesi. Whether or not the capital increase will occur will be confirmed to Tenderers no later than 1 September 1996.

Tenderers are required to have consolidated shareholder funds of a book value equivalent to at least HUF 8,820,670,000 and are required to have adequate experience in operating coal-fired power plants and to own power plants with an aggregate installed electrical capacity of at least 382 MW.

Key conditions of the tender include the following:

- settlement of the purchase price shall be in a single lump sum in US dollars;
- tenderers will be obliged to accept various existing employment policies of the companies;
- bids must be valid for a period of 120 days from the bid submission date;
- tenderers will be obliged to submit tender security with the bids in the form and amount specified in the tender rules (letter of credit or cash deposit) which will be included in the information memoranda;
- tenderers will be obliged to submit, and undertake obligations in respect of their brief business and employment policy plans and the purchase and sale agreement will contain sanctions for the breach thereof;
- tenderers will be required to undertake obligations in connection with development projects and maintenance of social welfare assets and the purchase and sale agreement will contain sanctions for the breach thereof;
- tenderers will be obliged to submit in person five copies of their signed bids in both English and Hungarian (as specified in more detail in the tender rules) in a sealed unmarked envelope at the time and place as specified in the tender rules and anticipated to be as set out below:

30th October 1996 between 14.00 hours and 16.00 hours

ÁPV Rt.

H-1133 Budapest, Újpesti rakpart 31-33, 3rd Floor, Room 392

- bids will be submitted in the presence of the notary public and a receipt will be issued as proof of delivery;
- the issuer reserves the right to declare one or more tenders unsuccessful and not to enter into a contract with any tenderer.

Parties interested in any of the above companies should request by fax from Mr Béla Künszler, Managing Director, ÁPV Rt. (Fax: +36 1 266 1934) the form of the agreement to confidentiality which they must submit prior to becoming eligible to collect the information memoranda. Interested parties should provide the name of their organization, the name, fax number and telephone number of the individual responsible at that organization. Three signed versions of such agreements should be returned to Mr Künszler at the ÁPV Rt. at the above address. Parties which have correctly submitted the agreement to confidentiality will be notified by fax that they will be eligible to collect the information memoranda for the companies in which they are interested from the Customer Service Office at the ÁPV Rt. at the above address during working days between 15.00 and 17.00 hours until 31st July 1996. Procedures to be followed in order to gain access to data rooms and to receive additional information will be set out in the information memoranda.

مكزاتن الأصل

# Dole given push on tax-cutting policy

By Patti Waldmeir in Washington

Republican leaders in Congress, desperate to revive Mr Bob Dole's flagging presidential election campaign, yesterday gave him a public shove in the direction of a tax-cutting economic policy.

The Republican leadership of the House and Senate joined tax cut enthusiasts to hold a highly publicised "policy forum" on Capitol Hill, designed to increase pressure on Mr Dole to unveil his long-awaited economic plan and to include something dramatic to contrast his candidacy with that of President Bill Clinton.

Participants in the forum, which focused on proposals for stimulating economic growth largely through tax cuts, included Mr Newt Gingrich, the House speaker, Mr Dick Army, the House majority leader, and Mr Trent Lott, the Senate majority leader.

Former presidential candidate Mr Jack Kemp, a supporter of a flat rate of income tax, also attended, along with two of Mr Dole's senior advisers.

Mr Dole was not present. The forum reveals the increasingly public exasperation of senior Republicans at Mr Dole's failure to articulate a coherent campaign vision. Many feel that his only hope of averting a landslide defeat in November, which could even see the Democrats regain control of Congress, lies in announcing an eye-catching economic growth package, including a substantial cut in tax rates.

Mr Dole's advisers have been working on such a package for weeks, and the slow pace of their deliberations has frustrated many Republicans who feel their candidate is ignoring his strongest campaign issue.

A recent Harris poll showed high taxes to be the single most important concern of voters, followed closely by the state of the economy. Although polls show that most Americans believe their economic circumstances have improved under Mr Clinton - by a factor of 2:1 - most still cite serious concern at the general state of the economy.

Within the Dole campaign

itself, consensus has begun to emerge around a substantial tax cut, either through a sharp reduction in rates or a rollback of tax increases instituted in 1990 and 1993. Mr Dole is now understood to accept the need for a big cut, but defending one in public could prove difficult for him.

Historically he has put deficit reduction ahead of tax cuts, and he is known to be concerned that announcing cuts may jeopardise his credibility as a budget-balancer.

Mr Dole's advisers are understood to be working on the final details of a tax reduction package, including an analysis of the budgetary and economic impact of measures which will come under immediate attack from the White House. The Democratic campaign will try to attack any Dole tax cut on the basis that it favours the rich over the poor, and jeopardises budgetary balance.

Mr Dole's advisers are also debating the timing of the announcement. It could be delayed until just before the Republican convention in August, for maximum impact.

# Senate amends welfare bill to avert Clinton veto

By Patti Waldmeir

The US Senate yesterday moved toward passage of politically controversial welfare reform legislation, amending it in an attempt to prevent President Bill Clinton from vetoing the bill.

Overhaul of the welfare system has become an important issue in the run-up to November's elections, with Mr Clinton eager to deliver on his 1992 campaign promise to "end welfare as we know it" without incurring the wrath of Democratic party liberals who oppose some of the measures as too tough on the poor.

Republicans have differed over whether their party would gain maximum electoral advantage by forcing the president to veto the bill - as he has done with two previous congressional efforts at welfare overhaul - or by presenting him with a bill he can sign, and then claiming reform as a Republican victory.

Mr Trent Lott, Senate majority leader, yesterday presented the bill as a no-lose proposition for Republicans. "If he [Mr Clinton] signs it, the country will be the beneficiary. If he doesn't, he'll have to explain why," Mr Lott said.

The Senate appeared to be moving yesterday in the direction of presenting a bill the president can accept, voting to ensure Medicaid (public health insurance) eligibility for the

poor and blocking a change which the White House had said would jeopardise the programme of "food stamps", or free food for the poor.

The bill, which was expected to be passed late yesterday, differed in some ways from a bill passed earlier by the House, but both would limit welfare assistance to five years per family and require recipients to return to work after two years on benefit. Both bills would give states greater control over welfare spending.

Mr Lott described the bill as a "work in progress". Differences between the two versions will be resolved in the conference committee, which might make further changes after negotiations with the White House.

# Threat to EU stand on Helms-Burton

By Guy de Jonquieres in Brussels

Britain has thrown into uncertainty European Union plans to retaliate against controversial US anti-Cuba legislation by threatening to veto some of the EU's proposed measures unless it is satisfied they do not infringe British sovereignty.

The UK's move took the European Commission by surprise as it was preparing to approve today a draft blocking statute, intended to shield European companies threatened by the Helms-Burton Act. The US law authorises private court actions against foreign

companies "trafficking" in confiscated Cuban assets.

UK officials said the Commission had agreed to a "stay of execution" on the draft EU statute until the end of this week, to the UK time to study the provisions and check that they did not encroach on the rights of member states.

The officials said the UK had told Brussels that if the proposal was found not to comply with EU treaties, and the Commission went ahead with it, the UK would veto the draft statute when it was presented to the Council of Ministers.

However, Commission officials said they expected the 20 commissioners to endorse the

proposal in principle at their regular weekly meeting today, although procedural delays meant it was unlikely to be finalised until early next week.

They denied the proposal involved EU encroachment on sovereignty and said they were confident it met UK concerns. "Britain is crossing bridges before it has even seen their design," a Commission official said.

Another official said it was unclear whether the UK had fundamental objections to the proposals, or whether it was engaging in temporary delaying tactics in an attempt to pre-empt accusations from Tory Eurosceptics that it was

aligning itself too closely with the EU against the US.

Britain had previously been among the governments pressing most strongly for a robust EU response to the Helms-Burton Act.

UK officials said they did not want to weaken the EU's stance, but had always insisted there must be proper consultations before retaliatory measures were agreed.

Ironically, the proposed EU blocking statute is closely modelled on Britain's 1981 Protection of Trading Interests Act. It would prohibit European companies from complying with provisions of Helms-Burton and entitle them to counter-sue

in European courts for any damages which US courts awarded under the US legislation.

The UK fears the Commission proposal could transgress the division of powers between the EU and member states by encroaching on the jurisdiction of national courts. It is also concerned that the proposal is designed to be put into effect as it stands, and not implemented through national legislation.

Britain also has reservations about another option approved in outline by the Council of Ministers, which would involve tightening visa requirements for US citizens visiting the EU.

# US steps up efforts to block UN chief

By Michael Littlejohns, UN Correspondent, in New York

The conflict between the US and Mr Boutros Boutros Ghali over the UN secretary-general's bid for re-election this autumn became more acrimonious yesterday.

Ms Madeleine Albright, US ambassador to the UN, told representatives of African and non-aligned states they should "disabuse" themselves of any idea that Washington would reverse its opposition once November's presidential elections were out of the way.

She urged the delegates, virtually all of whom backed the 73-year-old Egyptian diplomat, to think again and join the US in a search for a new secretary-general.

Diplomats who attended the session said she indicated Mr Salim Ahmed, secretary-general of the Organisation of African Unity, whom the US vetoed in a previous bid for the post, could even be considered. However, Ms Albright was informed that delegates were unwilling, at least for now, to look at another candidate.

The US has also accused Mr Boutros Ghali of "inappropriate



Boutros Ghali: won support from UN secretariat

atness" by, it says, employing UN staff to promote his re-election. Mr James Rubin, spokesman for the US mission at the UN, who is soon to join President Bill Clinton's campaign as a foreign policy adviser, hinted that Washington might call for an inquiry. He said the US had enough reports to justify looking into the secretary-general's "use of personnel for this purpose".

The US was incensed when Mr Ahmad Fawzi, a senior UN spokesman, read to journalists statements lavish in their praise of Mr Boutros Ghali's stewardship and then revealed they were remarks by Mr Clinton. When Mr Boutros Ghali returned recently after a seven-week absence abroad, a welcoming party from the UN secretariat accompanied by a child bearing flowers clapped and cheered in the presence of UN television cameras to demonstrate their support for him.

Ms Sylvia Foa, Mr Boutros Ghali's press secretary, yesterday attacked the "unsubstantiated allegations" and "ridiculous" charges against the secretary-general and the "disgraceful campaign that is being waged against the UN and its staff".

The US's tactics "really smack of the McCarthy era," she said. "I cannot believe this has been approved in advance by the government concerned."

## AMERICAN NEWS DIGEST

### TWA families contact lawyers

Lawyers involved in lawsuits over the 1988 bombing of a Pan Am jet over Lockerbie, Scotland, say they have been contacted to represent some of the families of victims of last week's TWA Boeing 747 crash, in which 230 people died.

Mr Lee Kreindler, lead plaintiffs lawyer in the litigation against Pan Am and its insurers, said he had been hired by the family of two victims and that his office had received other calls. The New York firm of Baumeister & Samuels, which was also active in the Lockerbie litigation, said it had received calls but had not yet been retained.

Meanwhile, security personnel checking TWA flights from Roissy-Charles de Gaulle airport outside Paris went on strike yesterday in protest over management plans for part-time working. They said the dispute was unrelated to last week's crash. *Reuters, New York and Paris*

### House approves sanctions law

The US House of Representatives yesterday gave final approval to legislation imposing tough sanctions on companies which invest in the oil fields of Libya and Iran.

The House accepted a Senate version of the legislation which was more stringent than the original House bill. It would compel the president to impose at least two sanctions from a list of options on companies investing in Iran and Libya, including export and import bans on companies, denial of US bank loans and official credit, and exclusion from US government contracts. *Nancy Dunne, Washington*

### Ex-editor of the Journal dies

Vermont Royster, a former editor of the Wall Street Journal and winner of two Pulitzer Prizes, has died aged 82. He was one of a small group of editors who shaped the Journal into the nation's business daily, and presided over the newspaper's editorial page from 1956 until his retirement in 1971.

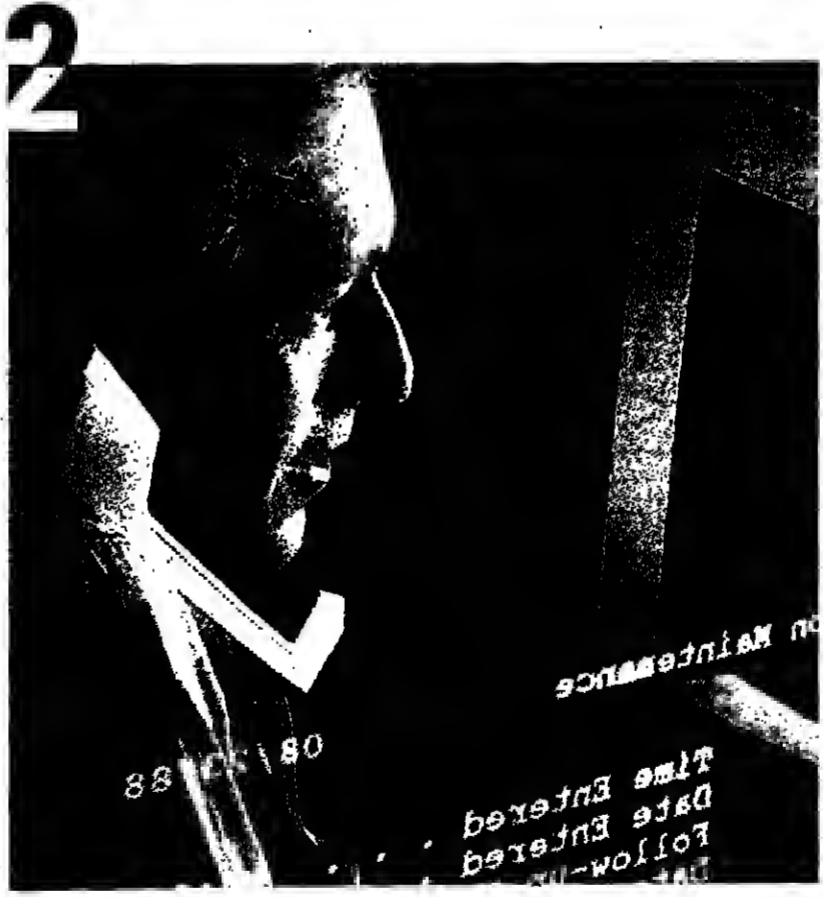
Royster started work at the newspaper as a reporter in 1936 and worked his way up to the positions of Washington correspondent, Washington Bureau chief, editorial writer and editor. *AP, Raleigh*

## SIEMENS NIXDORF



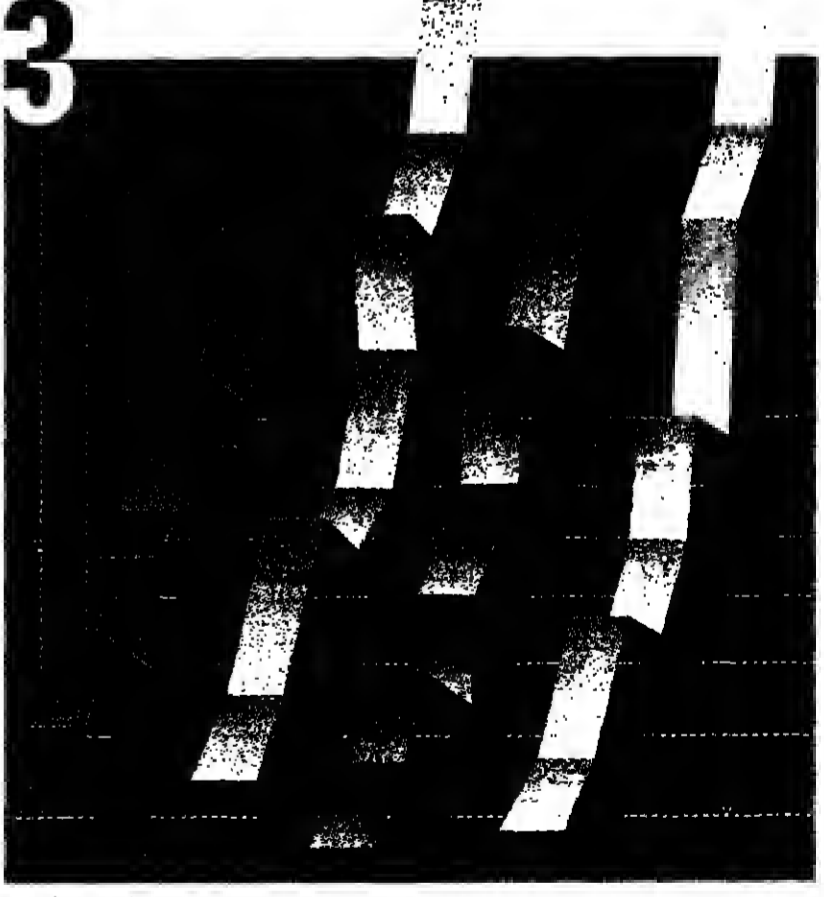
### Change Attitudes

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# Siemens Nixdorf: User Centered Computing

# UK-based suppliers win 85% of £300m development costs in reversal of trend

## Shell North Sea field 'one of fastest'

By Chris Tighe and Robert Corzine

The government yesterday gave the go-ahead to one of the fastest fast-track developments in the North Sea with the approval of the £300m (£48m) marginal Curlew oil and gas field project.

The Department of Trade and Industry (DTI) approved a plan by Shell UK Exploration and Production that envisages first output from the field, 220 km east of Aberdeen, in the autumn of 1997. The development will be completed in half the time it would have taken five years ago.

The company announced £300m in contracts yesterday,

with 85 per cent of the overall project budget due to be spent with UK-based suppliers.

Fast-track projects are usually marginal fields, whose development would be questionable if normal development timescales and procedures were adhered to. In such schemes the government speeds up the approval process in exchange for a commitment by oil companies to bring the field onstream in the shortest practicable period. Speed of approval is seen as a necessary incentive to keep developments in the North Sea viable as the area reaches maturity.

Much of the work will be placed in Tyneside, in the north-east of England, includ-

ing a £300m contract for Curlew's floating production, storage and offloading (FPSO) vessel, Maersk Dorset.

This contract has been awarded to MAS Alliance - a joint venture between Amec Process and Energy of the UK, Monaco-based Single Buoy Moorings Inc and Maersk Contractors, a subsidiary of Danish-owned AP Moller.

The work will safeguard about 400 jobs at Amec Process and Energy in the Tyneside area as well as creating 500 six-month contracts at the nearby A&P yard.

Several years ago there were worries that Tyneside, a big centre of large topside fabrication in the 1980s, might lose

out as the North Sea development moved to more marginal fields, requiring more flexible extraction methods.

The area has also benefited from government pressure on North Sea oil companies to place more work with UK companies. The first FPSO contracts tended to go to Spanish and other overseas shipyards, a development which worried DTI officials keen to develop oil-related export industries.

Amec is currently working on another Shell FPSO order, the Anasuria, a new hull built in Japan then towed to Tyneside for topside work and turret installation. The new order will be worth well in excess of £100m to Amec. Its Tyneside

yard currently has a full order book and employs 2,200, against 700 a year ago.

"The contract underlines the River Tyne's unique position in Europe in being capable of tackling entire FPSO conversion projects," said A&P.

The development of relatively small North Sea fields such as Curlew increasingly depends on FPSOs, which can be easily moved to a new location once the reserves run out.

Curlew has recoverable reserves of 71m barrels of oil and natural gas condensate, a naturally occurring gasoline, and 244bn standard cubic feet of gas. Peak production is expected to be 45,000 barrels of oil and 100m scf of gas a day.

## Reshuffle results in pro-EU Treasury

By Robert Peston, Political Editor in London

The Treasury has reinforced its position as the sole overwhelmingly pro-European ministry following a ministerial reshuffle yesterday.

The replacement for Mr David Heathcoat-Amory, who resigned from the Treasury on Monday because of his opposition to a European single currency, is Mr Phillip Oppenheim.

Meanwhile a minister noted that Mr Kenneth Clarke, the pro-European Chancellor of the Exchequer, had "purged any serious scepticism from the Treasury". Mr Oppenheim is described by his friends as a "mild sceptic" but regarded by the Eurosceptic activists as "one of us".

The reshuffle was announced after Mr John Major, the British prime minister, categorically stated that the general election would be held in the Commons he said "people... will choose low taxes yet again in the 1997 election."

Mr Oppenheim's Treasury post has been downgraded in the reshuffle from a minister of state position to parliamentary under-secretary. He has also been deprived of Mr Heathcoat-Amory's historically significant title of paymaster general.

This has been given to Mr David Willetts, one of the rising stars in the government, who stays in the Cabinet Office but is promoted to minister of state level. Mr Willetts has become one of the prime minister's most trusted advisers on the co-ordination and development of policy.

Mr Oppenheim was given the brand new title of "Exchequer Secretary". This was "dreamed up over lunch" by Mr Clarke, according to a member of the government.

There has also been a promotion in the whips' office, which looks after parliamentary party discipline, for Mr Andrew Dickson, who becomes Deputy Chief Whip, replacing Mr Gregory Knight, who becomes minister of state at the Department of Trade and Industry.

The DTI said yesterday that Mr Knight, a rightwinger, would not necessarily inherit the portfolio of responsibilities previously held by Mr Tim Eggar, who quit as the DTI's energy minister to pursue opportunities in the private sector. Another minister who resigned for similar reasons to Mr Eggar is Mr Steven Norris, replaced as undersecretary at the Department of Transport by Mr John Bowers.

Meanwhile, the ranks of Eurosceptics at the Foreign Office has been increased by the arrival there of Dr Liam Fox in a newly created parliamentary undersecretary's post.

Editorial Comment, Page 12

### UK NEWS DIGEST

## Single currency disarray grows

Mr Tony Blair, the leader of the opposition Labour party, was yesterday given a foretaste of his party's divisions on European monetary union, taking some of the sting out of opposition attacks on the governing Conservative party's disarray over Europe.

Stepping up its campaign for a Labour government to rule out joining a single currency during a first term, the newly-formed "people's Europe" group said that fiscal policy would be dictated by the European central bank.

In a move that may alarm Labour anti-Europeans, it emerged that Mr Gordon Brown, the shadow chancellor of the exchequer, told a meeting of French bankers earlier this month that he wanted the UK to be one of the founding members of a single currency, if the economic conditions were right.

His strongly pro-single currency stance delighted the officials, with many now convinced that the Labour leader is committed to the single currency project although he has only thus far committed himself to making a decision according to the economic considerations at the time.

Labour officials denied the comments reflected a policy shift, and pointed out that Mr Brown had long indicated his qualified support for EMU.

In his first act as a backbench Eurosceptic since resigning from the Treasury as paymaster general, Mr Heathcoat-Amory who launched his own pamphlet, "Why the United Kingdom must say no", said the currency issue must be debated "publicly and urgently".

John Kampfner and Gillian Tett

### FISHING

## Existing quota-hoppers 'must go'

Britain is to seek to exclude existing overseas-owned fishing vessels from the UK's European Union fishing quota as well as preventing additional vessels from joining the fleet, officials said yesterday.

Mr Tony Blair, the fisheries minister, told a Commons European standing committee: "I want to see existing quota-hoppers taken off the register. Our purpose is to remove them." Mr Blair also made a veiled threat that unless quota-hopping was curbed, Britain might withhold funding for EU fishing agreements with third countries, which primarily benefit Spain and Portugal.

He said that 160 Spanish-owned and Dutch-owned vessels flew the red ensign and took 44 per cent of the UK plaice quota, 45 per cent of its hake, 33 per cent of its megrim and 29 per cent of its angler fish.

Alison Maitland, London

### PROPERTY DEVELOPMENT

## Singapore group to invest \$468m

London's Canary Wharf, the highest office building in the UK, yesterday announced a £300m (£48m) development, its biggest project since the 1980s, in partnership with Hotel Properties, a Singapore-based property group.

Hotel Properties (HPL) is to take a 70 per cent stake in a joint venture with Canary Wharf, which will develop the 11-acre Riverside site in several phases. The development will include hotels and luxury apartments and will take six years to complete.

The announcement is Canary Wharf's largest since it was acquired from its bankers for £300m last year. The international consortium of investors that now owns the company includes Mr Paul Reichman, the Canadian who led the development in the 1980s, and Prince al-Waleed bin Talal bin Abdulaziz of Saudi Arabia. Earlier this year, HPL bought a stake in the UK-based Virgin Cinema group, owner of the MGM cinema chain in the UK.

It also owns the Hard Rock Cafe network in Asia, which includes branches in China and India, and has a stake in the Nasdaq-quoted Planet Hollywood.

Jenny Lutesky, London

### CAR PRODUCTION

## Owner agrees to Lotus sale

Mr Romano Artioli, the owner of Lotus, the UK sports car and engineering concern, has agreed to an immediate sale of the company and to sever his connections with it after an ultimatum by Lotus directors that they would otherwise call in receivers.

Mr Neeraj Kapur, the finance director and effectively chief executive, and fellow UK directors of Lotus reached the agreement with Mr Artioli after making the receivership threat during a meeting with him on Friday. They told the Italian entrepreneur, whose other car company, Bugatti, is in receivership, that Lotus was experiencing increasing difficulties because of uncertainty over his intentions.

John Griffiths, London

### ENTERTAINMENT COMPLEX

## Power station plan approved

Plans for a £200m (£32m) conversion of the semi-derelict Battersea power station, one of London's most famous landmarks on the banks of the River Thames, into one of Europe's biggest leisure and entertainment centres have been backed by planning officials of Wandsworth Borough Council, the local authority responsible for the site.

"This is a significant step forward which should allow us to begin building in the spring of 1997," Ms Hilary Baker, a spokesman for Parkview, the company that formed the consortium involved in the project, said last night. Plans for the art deco interior of the power station include cinemas, rides, and a variety of retail and food and drink outlets.

Parkview, a Hong Kong property company, formed Power Productions, the consortium that owns the power station and the surrounding land, earlier this year. The other partners are BAA, the airports group; Sir Andrew Lloyd Webber's The Really Useful Group; and the Gordon Group, a US property retail concern which owns the Caesar's Forum shopping complex in Las Vegas.

Jimmy Burns, London

## Barings manager 'impeded in his job'

By John Gapper, Banking Editor

Mr Ian Hopkins, the former head of risk management at Barings, the merchant bank which collapsed last year, yesterday said he had been obstructed from improving its controls in the last months before it failed.

Mr Hopkins, who faces disciplinary action by the Securities and Futures Authority, a City of London regulator, for his role in the collapse, said he was ignored by Mr Peter Norris, the former chief executive, because of Mr Norris's personal dislike of him.

Mr Hopkins told a UK Parliamentary committee of an aggressive atmosphere among senior managers at Barings that sometimes led to shouted confrontations, and people hanging their fists on desks during meetings.

His evidence follows a claim by Mr Ron Baker, former head of derivatives trading at Barings, that senior managers of Barings in Singapore "knowingly or unwittingly" conspired to cover up the \$830m fraud of Mr Nick Leeson.

Mr Hopkins, removed from the management committee which ran investment banking operations a few days before the collapse, said this happened because of clashes with Mr Norris about risk controls. "I got right up Peter Norris's nose... I had made myself unpopular, and could not be tolerated in that position," said Mr Hopkins, who was appointed head of risk control in August 1994.

Shortly after appointment, he "stumbled across the most awful mess" in how the bank dealt with foreign exchange risks.

However, when he raised this at a committee meeting, he found himself "shouted down by everyone in the room".

Mr Hopkins said Mr Norris had blocked an attempt to appoint a regional treasurer in Asia at the end of 1994, a move which would have cost £200,000 a year. This might have allowed the bank to save hundreds of millions of pounds in losses.

Mr Hopkins claimed there was a broad lack of controls in Barings Securities. He said that he did "everything he could have done in a difficult and hostile environment to change the culture, but that is hard work for one individual".

Mr Baker, giving evidence to the committee again, said that he agreed with Mr Hopkins' view that he was unfairly treated.

## Ministers try to quell lamb scare

By Neil Buckley in Brussels and Alison Maitland and George Parker in London

European Union ministers and officials yesterday strove to avoid a collapse in the lamb market after the agriculture commissioner's warning that BSE or "mad cow" disease could be passed to sheep.

Several farm ministers meeting in Brussels welcomed as a sensible precaution Mr Franz Fischler's call on Monday for EU-wide action to prevent sheep's brains, spinal cord and spleen from entering the food chain. They insisted lamb itself was safe to eat and called for calm among consumers.

But states including Spain and Portugal reacted angrily to Mr Fischler's demands. They said since their countries were free of BSE, there was no need for them to take anti-BSE measures when processing cattle meat, let alone meat from sheep, goats and other ruminants.

Mrs Loyola de Palacio, Spain's agriculture minister, rebuked Mr Fischler for making comments that may provoke alarm without discussing them with all EU veterinary committees or, apparently, other commissioners.

Some other states also accused the commissioner of repeating some of the mistakes of the UK government, which sparked the "mad cow" crisis in March when it warned of a probable link between BSE in cattle and vCJD, the fatal human brain disease.

The commissioner's agriculture spokesman insisted yesterday there was "no evidence whatsoever" that sheep had contracted BSE from cattle except in laboratory experiments. "These involved sheep consuming feed heavily contaminated with BSE."

"We decided to err on the side of prudence. We would rather be too cautious than under-cautious," he said.

Mr Ivan Yates, farm minister of Ireland, which holds the rotating EU presidency, said any risk to human health from



Planning consultation: Douglas Hogg will discuss removing sheep brains from the food chain

Mainland European countries yesterday remained relatively relaxed at the prospect of European Union rules aimed at preventing parts of sheep entering the food chain.

Mr Philippe Vasseur, French agriculture minister, welcomed the European Commission's proposals to ban consumption and use of sheep and goat products driven by scientists' concerns that mad cow disease can be transferred to sheep and other animals.

He said that France had already launched a ban domestically following the recommendations of a group of experts, and had called on Brussels to adopt the same policy in other member countries.

But it was important that Europe adopted a

single sanitary standard on the issue, said Mr Vasseur.

German officials reacted cautiously to yesterday's announcement by Mr Franz Fischler, EU farm commissioner, that BSE could infect sheep. Mr Jochen Borchert, the German agricultural minister, said he would await the outcome of tests before considering measures to tighten food-safety regulations. EU veterinary experts will meet on August 1 to decide whether to ban various sheep tissues from the food chain.

Germany's farmers association said it would also await the outcome of that meeting, adding that any ban affecting sheep would not have such a large impact on the market compared with beef because Germans ate very little lamb.

pean Commission if the latter demands removal of brains, spinal cord and spleen, as suggested by Mr Fischler.

Mr David Nicholson, Tory MP, said the proposed slaughtering precautions for sheep and goats were "indicrous". Another Tory MP, Mr Christopher Gill, said the Commission's decision was "bizarre".

## Rising industry demand eases recession fear

By Graham Bowley, Economics Staff

Fears of a prolonged recession in UK industry faded yesterday after manufacturers reported a recovery in export demand and output in the second quarter and their first rise in confidence since spring last year.

These results were contained in the quarterly industrial trends survey by the Confederation of British Industry, the UK's largest employer lobby group. The findings bolstered the hopes of Mr Kenneth Clarke, the chancellor of the exchequer, of fighting the next

general election amid a strong upturn in economic growth, but with low inflation.

Manufacturing has been the chief disappointment for Mr Clarke, since it has stagnated while other sectors of the economy, especially consumer spending, have grown strongly.

But Ms Kate Barker, CBI chief economist and one of the chancellor's independent advisers, said "the risk of a manufacturing recession has receded".

Manufacturers reported that new orders during the last quarter rose at the fastest rate since July last year after show-

ing no growth for the previous two quarters.

This led to a revival in factory output after no growth in the first quarter, although it rose by less than manufacturers had expected.

Manufacturers said they were now more optimistic about future output growth than at any time since October 1995. But Mr Andrew Buxton, chairman of the CBI's economic affairs committee, cautioned that manufacturers' expectations had been consistently disappointed in recent surveys.

He said activity was picking

up "after grinding to a halt at the beginning of this year". But he underlined that the "manufacturing sector is still not performing as well as the economy as a whole" with companies threatened by the uncertain outlook for exports and a continued backlog of unsold stocks.

This was reinforced by evidence that manufacturers continued to shed jobs - employment fell at the sharpest rate for two-and-a-quarter years. In spite of the revival in new orders, total factory orders were their weakest since October 1993. Mr Simon Briscoe,

economist at Nikko Europe, the Japanese bank, said: "It is certainly too early to talk of manufacturing recovery."

Nevertheless, Mr Buxton said the signs of a manufacturing revival showed that the chancellor's decision to cut UK interest rates this year had "in hindsight been justified".

Ms Barker said the chancellor should make no further change to interest rates - either up or down. Mr Clarke will meet Mr Eddie George, governor of the Bank of England, the UK central bank, next week for their regular interest rate discussion.

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## Exports set to challenge Komatsu

### Aveling Barford signs \$30m joint venture to sell dump trucks in Japan

Aveling Barford is one of the oldest names in UK engineering with a history going back to the days of steam-powered road rollers. This week, the heavyweight construction machinery maker is demonstrating that it has battled itself out of the trough in which it was trapped at the start of the decade and, on solid ground, is preparing to add to its 130-year history.

The demonstration takes the form of a \$30m (£19.4m), three-year deal for Aveling Barford's 30-tonne payload dump trucks to be sold in Japan through a joint venture between Caterpillar of the US and Mitsubishi. The trucks will present Komatsu, the Japanese construction equipment company, with the first challenge to its near-monopoly of the sector in Japan.

Through Mitsubishi's trading house activities, it will also give Aveling access to participation in Japanese public sector contracts and the country's overseas aid projects.

For Mr Peter Youlton, the managing director of the company based in Lincolnshire, England, the deal represents only one step - albeit a big one - in a transformation which still has a long way to go.

"We intend to expand further in our existing fields of activity - of manufacturing trucks for construction, mineral extraction and mining," he says. "As part of that, we will look at any acquisitions which appear advantageous. But we are also looking at diversifying into other engineering sectors, such as mainstream motor components."

Mr Youlton has initiated an export drive to counteract the peaks and troughs of the UK's construction and quarrying industries.

The strategy includes opening up new markets in a number of countries where Aveling does not have a presence, such as Vietnam and Thailand, as well as China, Africa and the Middle East are also the subject of renewed sales drives. Aveling's products have long been familiar in some unlikely-sounding places: snow clearing in the Andes, for example.

Aveling Barford is the biggest single operating subsidiary of Wordsworth Holdings plc, which turns over \$100m annually. Aveling builds trucks and 180 off-road models destined for Japan and larger units with a payload of 65 tonnes costing \$250,000.

Aveling has doubled its turnover in the past three years but in 1994 on a turnover of £20m, reflecting the intense competition within most engineering activities.

John Griffiths

July 24 1996



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LOANS TO CUSTOMERS	17,000	+ 4.3
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LOANS TO CUSTOMERS	15,300	+ 7.7
NET INCOME	101	+ 22.1

(US\$ 1 = Lit. 1,584.72 as at 31st December 1995)

one of Italy's leading securities and stockbroking houses, also prospered. Meanwhile, overseas, a new Representative Office in Moscow was added to those already existing in Beijing, Brussels, Hong Kong and New York, and a new office will soon be opening in Manila.

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BUSINESS AND THE ENVIRONMENT

Andrew Baxter and Chris Tighe look at the microwave options for reducing the world's waste tyre mountain

# Wheels turned into 'reverse'

After thousands of miles on the road, the final journey for a tiny fraction of the world's scrap tyres is a unique pilot recycling plant at the back end of a dusty industrial estate near Toronto.

The plant uses microwave energy to break 300 tyres a day into their base elements in a process called "reverse polymerisation". Trundling through the machine on a conveyor, each 20lb tyre is reduced to about 9lb of carbon black, three-quarters of a gallon of fuel oil and 2lb of steel.

The technology could make a big contribution to reducing the environmental problems caused by used tyres, believes Tom Fairfull, chairman of Canada's Escadon Technology, whose subsidiary Environmental Waste Management Corporation (EWMC) runs the C512m (£5.6m) plant.

"It's totally clean, there are no toxic emissions," he says. The commercial version, which will recycle 3,000 tyres a day, could produce enough fuel oil to generate all the electric power needed to run the plant, with a 1.5MW surplus, he says. The steel and carbon black - powdered industrial carbon - can be used in a wide variety of new products.

Fairfull's confidence is shared by the industrial gases division of the UK's BOC Group, which earlier this year signed an agreement with EWMC to market the technology worldwide. "It's one of the few environmental applications that actually makes money for the customer," says Louis Lilakos, account manager at BOC Canada.

Another enthusiastic supporter is Roberto Luis Guttmann, president of United Medical, a São Paulo-based pharmaceutical distribution company which has acquired the rights to exploit the technology in Latin America. The microwave process can be used to reduce both tyres and medical wastes, although Guttmann admits he had to make three trips to the plant in Ajax, Ontario, before he was convinced it both worked and was economically feasible.

But some in the tyre industry remain to be convinced. They point to the closure a decade ago of the world's first commercial scale plant for making oil from old tyres. The Tyrolis plant at Walsall in the UK used a process called pyrolysis - where a material is broken down into its component parts by heating it in the absence of air. The technology worked, but the plant was never commercially viable because of operating problems.

Fairfull's plant is based on patented technology which he acquired in 1989 from the late

Charles Emery, a Canadian scientist. But Emery and Fairfull were not alone in pursuing the possibilities for microwaving old tyres. In a backstreet on an industrial estate in Sunderland, northern England, Brian Foster, founder of casing dealer Tyre and General, was struck by the wastefulness of dumping half the used tyres which his company buys from transport companies and tyre depots. The remainder merit a new lease of life by resale to remoulders.

Foster, a former radio operator with a penchant for chemical experiments, noticed that sometimes, when he prepared tyres for repair by softening them, overheating made the rubber carbonise, and oil oozed out. He began conducting trials using old tyres and a Toshiba microwave oven. "It hit the roof

that many times," he says, "but it came back and still worked."

The explosions illustrate that microwaving old tyres is not as simple as popping a ready-made meal into a machine at home and waiting a few minutes for the "ping".

As Mark Anderson, manager of environmental applications at BOC Gases America, points out, tyres contain steel, and metal will catch fire if put in an ordinary microwave. So an inert, oxygen-free atmosphere is needed, for which BOC will supply nitrogen and related oxygen-removal equipment.

Once inside the EWMC microwave, the rubber is sublimated directly into vapour, extracted and either used directly to power diesel generators or condensed into a fuel oil which can be reused after its sulphur content is reduced. The

steel and carbon black come out of the microwave on a conveyor before being separated and processed further.

Foster's process, for which he was granted a patent in 1992, varies in key respects. Waste rubber is irradiated by microwaves, and the resulting fine powder is steamed over potassium with water, then shaped into briquettes or nuggets for use as a slow-burning solid fuel. The microwaving process also releases a heavy oil and a light, phenol oil.

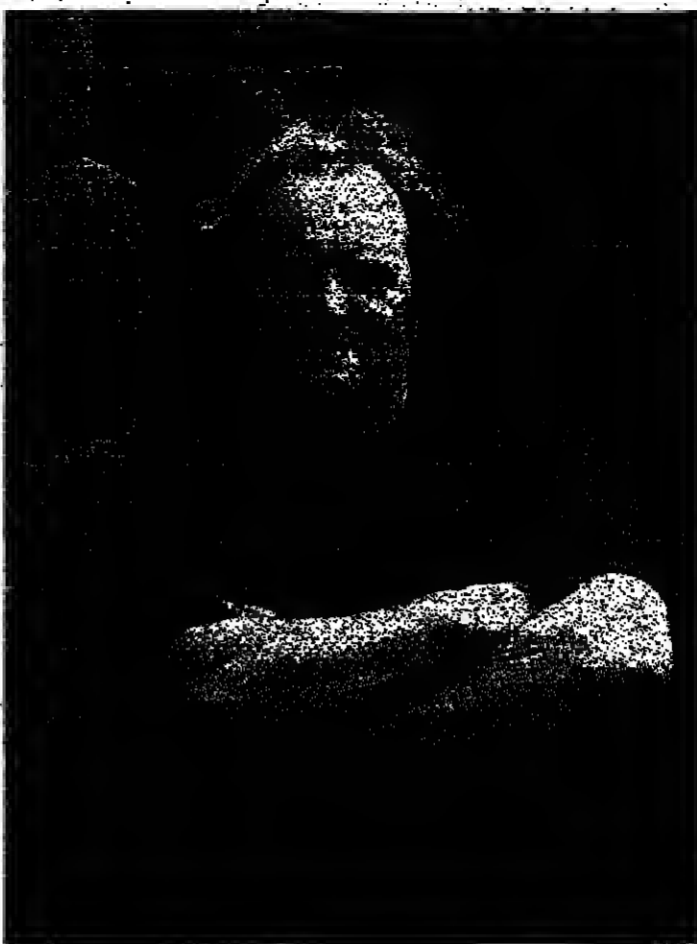
Depending on the extent to which the carbon black from the EWMC plant is processed, Fairfull says it can be used in many types of rubber products - such as mats and rubber soles where the recycled carbon black would account for all, or a large part, of the raw material - in paints, plastics, photocopier toner, or as part of a new tyre. Tyres have already been produced with 25 per cent recycled carbon black.

Backers of the process believe it has inherent advantages over other methods of using old tyres, whose composition from a number of materials has hitherto discouraged true recycling. For example, incinerating tyres to produce heat is "incredibly wasteful" in terms of energy produced, says Anderson.

But Jack Zimmer, a Goodyear business and technical analyst, is sceptical about the claims made for the microwave process. Any system of pyrolysis, whether using microwaves or other forms of energy, is endothermic (requiring the absorption of heat), he says. "The technology works, but the economics are what kills it."

Opportunities for using recycled carbon black, at least in tyres, are limited, he says. "A car tyre uses eight or nine grades of carbon black, and a truck tyre needs even more."

Along with many in the tyre industry, Goodyear believes that using scrap tyres as tyre-derived fuel is the most effective way of recycling them, especially when they are used in cement kilns. In the high temperatures of the kiln, the tyre is completely consumed, with the steel oxidised to ferric oxide, one of the raw materials of clinker, a key component of cement.



Brian Foster has patented a process which turns tyres into briquettes

# Disposal idea sinking

On the one hand are millions of used car tyres requiring disposal; on the other, eroding coastlines in need of protection - so why not create tyre reefs as coastal defences?

It is an alluringly simple idea. But closer study has indicated that it is not simple at all, says Chris Fleming, of civil consulting engineers Sir William Halcrow and Partners.

Fleming has been investigating tyre reefs for years. In the late 1970s the firm built one experimentally on the sea bed in the Arabian Gulf as an attraction for fish, but a storm ripped it out.

In the mid-1980s Humberside council in the UK, faced with serious coastal erosion problems, brought to Fleming and his colleagues to investigate whether reefs made of used tyres could help.

Fleming claims his team satisfactorily demonstrated that tyres would remain chemically inert in the seawater and would not release toxicity - one of the reservations voiced about tyre reefs.

"The problem," he says, "is tying them all together and producing sufficient weight for them to act as a defence. By the time you've done all that the cost is such you might as well use something a bit more efficient."

Meanwhile, East Riding council in Yorkshire is awaiting a shoreline management plan for its area which includes the coast between Flamborough Head and Spurn Point, where erosion averages 1.8 metres a year.

The management plan, grant-aided by the Ministry of Agriculture, Fisheries and Food and carried out by consulting engineers Posford Duvivier, will look at where a tyre reef could be located. But coastal engineer John Andrews, who is preparing the report, stresses: "I would want to distance myself from any comment on the efficacy of such a reef."

Fleming has concluded that tyres are probably better burned as an energy source than turned into reefs. "You have to do so much work to make the material usable that it's really not worth the effort."

# New uses for old tyres

Few man-made things are more durable than the tyre, according to Goodyear, the world's biggest producer. In spite of the challenges, though, there have been big strides recently in finding new uses for old tyres.

In 1989, only about 10 per cent of the scrap tyres produced to the US were used again in some way. By last year, 183m of the US's 255m scrap tyres were recovered, and for the first time less than one third went to stockpiles or landfills.

Of those recovered, 135m were used for energy - in cement kilns, pulp and paper mills or for generating electricity - and other markets included agriculture, civil engineering and fabricated products.

This year, the US Scrap Tyre Management Council predicts 58m fewer tyres will go to landfills and 46m more will be used in energy recovery. This will lift the recovery rate for scrap tyres to 95 per cent.

In the UK, the Rubber and Plastics Research Association estimates that about 30m tyres are

removed from cars and vans each year and a further 3m from lorries, a total of 450,000 tonnes. The European total is around 2m tonnes.

Of the UK's used tyres, the association estimates between 15 and 25 per cent are retreaded. Between 50,000-80,000 tonnes, or 12.5 to 20 per cent, are used at the Elm Energy plant in Wolverhampton to generate electricity.

A further 5-10 per cent are granulated into small particles for use as a surfacing material for playgrounds and sports tracks. Other uses, such as ballast for holding down tarpaulins in the countryside, account for another 5 per cent.

A small percentage are exported to other countries for retreading and reuse but this export market is declining.

The remainder - around half the total - are deemed unusable and go to landfill sites. But, with new legislation landfill operators are increasingly reluctant to take large quantities of tyres.

# £100m investment to put the UK at forefront of European recycling

BRITAIN'S leading fine paper manufacturer, UK Paper, has achieved a European first with the launch of a recycled pulp which can be used to make paper of as high quality as that made with pulp derived from trees. It is the result of over £100 million invested in environmental initiatives.

Called UK Fibre, the pulp is made from genuine recycled office and consumer waste paper - much of which would otherwise have gone to landfill. It is brighter, whiter and cleaner than any other recycled pulp produced in Europe and the paper made from it has the same characteristics as high performance paper made from 'virgin' pulp.

Up to 180,000 tonnes of paper - 16% of the nation's office waste paper - can be turned into UK Fibre at UK Paper's £43 million purpose-built Recycled Fibre Plant in Kent. The plant, which opened earlier this year with the creation of over 40 jobs, is part of UK Paper's overall investment in environmental initiatives.

The innovation will help reduce the huge volume of waste paper - worth over £100 million a year - which is sent to landfill in Britain.

Around 1.12 million tonnes of the waste paper is produced by offices in the United Kingdom each year, but just 22% is currently recycled. Only Germany produces more recoverable office waste paper, yet it recycles 42% - the highest recovery rate in Europe. Britain also lags behind the Benelux countries, which recycle 40% of their office waste paper.

The bright, white pulp, which is exclusive to UK Paper, is a breakthrough in paper recycling as it will be suitable for use in the highest quality paper applications, including the printing of full colour company brochures, corporate reports and accounts, letterheads, copier and laser



UK Paper's £100 million investment means Britain no longer needs to trail Europe in paper recycling.

paper and other speciality applications.

All UK Paper-branded products containing UK Fibre will be marketed under the name 'ERA', which stands for 'Environmentally Responsible Approach'. This describes the entire process used to produce this paper and UK Paper's holistic environmental philosophy.

The Chief Executive of UK Paper, Mr Monty August said: "The launch of UK Fibre means that for the first time, businesses can buy a range of high performance papers which allows them to make a genuine contribution to conserving the environment."

"Companies will no longer have to sacrifice paper quality in order to be environmentally responsible. We recognise that

quality is the over-riding factor when choosing paper for a prestige print job and now businesses which are serious about their environmental stance will not have to compromise quality in any way."

The process used to make UK Fibre is unique, which is why for the first time, a wide range of consumer waste paper - including some which has been heavily inked - can be recycled to produce a top grade of paper.

Companies which use products containing UK Fibre will be entitled to use the specially-designed 'ERA' hallmark on their literature and stationery to show that they are not just being 'seen to be green' but are making a genuine commitment to the environment.

UK Fibre will be incorpo-

rated in UK Paper's established brands, Cosport Royal, Crossbow, Logic and Nimrod. The high quality fibre will also be used to produce an entirely new range of products, details of which will be announced later this year. There will be an 'ERA' product available to suit every business need, including high quality company literature, office stationery and copier and laser paper.

Mr August added: "UK Paper has identified a need in the market for top quality recycled paper and UK Fibre will enable us to meet that demand."

While many companies are only now waking up to their environmental responsibilities, UK Paper has already established itself as an environmental leader in its field. This has been demonstrated by gaining BS7750 certificates in environmental management for every part of its manufacturing business.

UK Paper has identified a number of key environmental issues affecting the paper industry - forestry practices, pulp production, waste water control, energy use and recycling and is pro-active in all of them.

As a result, all 'ERA' products can truly be counted as environmentally responsible. Not only is UK Fibre made from waste paper which would otherwise have been destined for landfill, the Recycled Fibre Plant, uses only chlorine-free bleach, reuses water and minimises emissions to the atmosphere.

The plant uses energy from the nearby Combined Heat and Power Plant which was built at a cost of £55 million following an agreement between PowerGen and UK Paper's subsidiary, Grovehurst Energy. The facility came on line in 1995 and runs at a world-leading fuel efficiency level of 88%.

ADVERTISEMENT FEATURE



# Dawn of a new era in 'green' technology

PAPER is a valuable resource and a high proportion of it can be recycled in some form. Yet in the past, recycled paper had a poor image and was often perceived as low quality.

However, advances in recycling have meant that even heavily-inked waste paper can now be used to produce the highest quality paper for prestige applications.

UK Paper is spearheading the recycling technology with the production of a recycled pulp - UK Fibre - which performs as well as 'virgin' pulp.

UK Fibre is made from 100% recycled office and post-consumer paper, supplied by waste paper merchants who collect it from offices and recycling bins all over the country.

Mr Dave Hover, the General Manager of UK Paper's Recycled Fibre Plant (RCF) said: "We visited recycling plants in the USA and Japan in search of the most advanced recycling technology and combined the best elements to build this facility."

"The recycling process used to make UK Fibre is unique, which is why it produces such exceptionally high quality pulp. The fibre undergoes more cleaning stages than conventional recycling processes, so it is brighter and whiter than other recycled pulp."

UK Fibre is produced at UK Paper's Recycled Fibre Plant in Kemsley, Kent, by recycling paper such as computer print-outs, letters, photocopies, as well as printed brochures and direct mail. No other European paper manufacturer has the technology to produce such high quality pulp from such a mixture of heavily inked paper.

# Bid to reduce landfill as 'paperless office' myth is exploded

THE dawn of the computer age was supposed to herald the era of the 'paperless office' yet more than a decade later, the vision has proved to be a mirage as the amount of paper consumed by Britain's offices has actually doubled.

There are now around one million photocopiers and 750,000 laser printers in the UK. Around 9.5 million tonnes of paper are consumed in Britain per annum, of which nearly 5 million goes to landfill - enough to fill over 100,000 double-decker buses.

The environmental reasons for recycling are well known, but there are also powerful economic reasons for paper recycling.

According to Paper Federation statistics, Britain's balance of payments could benefit by as much as £200 million a year by increasing the proportion of waste paper recovered for recycling and 12 new jobs could be created for every extra 1000 tonnes of paper recycled.

Britain produces very little of its own 'virgin pulp' and developing the British waste paper market to create a reliable alternative source can boost the economy by significantly reducing pulp imports.

The British government and the European Union have already recognised the importance of paper recycling and action is now being taken to encourage waste paper recovery and reduce landfill.

The EU has issued a directive to member states on the percentage of packaging waste which must be recovered by the year 2000 and other 'green' directives are likely to follow.

The UK has introduced its own legislation and on October 1, a new tax comes into force which is designed to encourage recycling by raising the cost of landfill disposal by £7 per tonne. Businesses will be increasingly forced to seek alternatives to landfill to dispose of their office waste.

Kevin Lyden, the President of the Paper Federation of Great Britain, which has launched the Paper Chain 2000 campaign to boost recycling



It takes a lot of waste paper to satisfy the 300 tonnes-a-day appetite of UK Paper's £43 million recycling plant.

said: "Nearly five million tonnes of waste paper are sent to landfill every year. Businesses contribute a significant proportion of that waste - not just paper but also newspapers and packaging, such as cardboard boxes."

"What we are trying to do is to show businesses that there is a real commercial advantage in recycling waste paper and board. Many are simply throwing money into the bin at the moment. Moreover, customers strongly support recycling and we believe that those who blaze a best practice trail will enhance

their corporate reputation." Paper Federation research found that 90% of British adults are concerned about the environment and around 80% want to recycle more, believing there should be more facilities to support recycling. In addition, two thirds of Britons back legislation aimed at encouraging recycling.

Monty August, Chief Executive of Britain's leading fine paper manufacturer, UK Paper, said: "Clearly, the public is becoming more concerned about the environment and will buy products which reflect their 'green' philosophy."

For more information about UK Paper's breakthrough in recycled fine papers, please fax your name, company address and telephone number to 01635 40761 or phone us on 01635 564468 quoting Ref. FT247.

Or write to the Marketing Department (Ref. FT247) UK Paper, UK Paper House, Kemsley, Sittingbourne, Kent, ME10 2SG.

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Television/Christopher Dunkley

# Game for a seduction

I am terribly sorry, but I rather like sport on television. Well, no, it is not really as simple as that. When I hear about the hours being devoted to the Olympics I am as appalled as the next man. All right, the next woman.

I was aghast at the prospect of Euro 96. But then, when the reality turns up, I am seduced. Not immediately, you understand. My disdain usually lasts through those preparatory documentaries - you know, "Behind the Scenes at the Training Camp" or "I Put the Chalk in the Olympic Pool" - and usually I even manage to remain scornful through the programme about the opening ceremony. That dreadful American vulgarity! The hypocrisy about fitness and supreme effort when Tom Mangold and Panoramas have already revealed the truth (see something like it) about Atlanta being what "some people" (i.e. Mangold) "are calling the drug Olympics".

Then the actual thing begins. Mr. Moustache sits in limbo somewhere (is he in Atlanta or in London pretending to be in Atlanta? Who knows? Who cares?) and makes my comments about showing us hockey when we know nothing about hockey, and volleyball when we know even less about that. He offers us bits of explanatory film about the rules and rules of these sports and, like it or not, these schools programmes come on, complete with dinky diagrams full of arrows.

You groan as you realise that BBC people behind the scenes are muttering "Uniform, Educate, Entertain", though you do learn for the first time about those weird corners in hockey where someone has to hit the ball very fast and someone else has to stop it dead before yet another person whacks it again.

To be honest, you have never in your life taken any interest in either hockey (why are the pitches flooded with water?) or volleyball, and since it is now well into the early hours of the morning you think, "This is ridiculous, why aren't I in bed?" Then Moustache Man comes on again with that extraordinarily relaxed style - like Dean Martin on tranquillisers, making you wonder whether he will put himself to sleep right there on screen one day - and says that the weightlifting is under way. "Well well," you muse fondly, "I remember those Commonwealth Games all those years ago when everybody got so excited watching that tiny chap called Predons MacKenzie lifting those absurdly heavy weights. I'll just have a teeny look." And that is it. Hooked. Done for. Seduced for the duration.

In the weightlifting - or, ring? aren't both? there is this minute chap called Mutlu who, we are assured, used to be a Bulgarian but is now a Turk. Why? Everyone knows the Turks are not about weightlifters, but would that make you change your nationality? Anyway, Mutlu is about to try lifting above his head more than twice his own body weight, in one smooth movement. That is called The Grab. Or it could be The Stash.

It is different from the other two-stage technique where you lift the weight up to your chest in one movement and then shove it over your head in another. This is called Cut and Thrust, or Clean and Jerk or something, and comes later. Looking at this enormous barbells it seems obvious that the tinpot Mutlu cannot possibly lift it, so we'll just watch him try and then go to bed.

He starts down at the weight, psyching himself up, slowly places his hands with intense deliberation, flexes his fingers round the bar, thinks deeply, tenses his entire body, and oh my God he's done it. In one muscle-tipping movement which has brought out every vein

on his body and blown out his cheeks and his eyes, he has lifted that bar with the equivalent of himself sitting on each end and is standing there holding it up. The Turks in the audience are going bananas. And now his entire body is quivering as he keeps the weight above his head. Drop it, for goodness sake. He does, and three red lights come on from the judges. No lift. He took more than 60 seconds.

This is outrageous! That was the purest piece of individual competition imaginable: one man, alone, making this astounding effort - physical and mental, you could see both - and succeeding. The exertion and the strain were enough to bring tears to your eyes. And they disallow the lift! Well what happens next? Over the next 20 minutes what happens is that Mutlu's opponents make their lifts, he then comes out, tries again, succeeds

inside 60 seconds, and then, at his third attempt, leads on more weight and breaks the world record. Pandemonium among the spectators, the trainers, and the old green sofa in north-west London - where dawn will soon be visible over the chimney pots.

Would I stay up all night like this for *Murder One*, the 23-part American courtroom saga created by Steve Bochco, which was abandoned so precipitately by BBC2 after Episode 20 to make way for the Olympics? I would not. But that is not to say that the BBC was right in the way it treated British viewers who had turned *Murder One* into the sort of cult which it never became in the US.

A large part of the appeal of the Olympics is that we watch them as they happen; Mutlu's feat is still worth watching when a recording is shown the next day, but that

greatest thrill is in knowing you are watching him do it in real time. On the other hand, the precise time when you watch *Murder One* is of no great significance. Because I have cable television I was able to watch the first UK screening by Sky in the new year (before writing a highly enthusiastic review here in February; well critics have to start somewhere).

Few of us would sit up until dawn waiting for an episode, even a climactic episode, of *Murder One*. But if we have followed a long serial this far, we are surely entitled to expect the broadcaster to keep the faith. If only the BBC would use its specialist second channel, BBC2, as the main carrier for time-consuming events such as the Olympic Games, and maintain its most popular schedules where they normally are, on BBC1, then non-sports fans would know where to direct their attention.

*Murder One* could have continued on Tuesday nights, moving to BBC1 in the slot occupied yesterday evening by the first in yet another series about the supernatural, and those of us besotted with the lifts and throwers and whackers could stick with BBC2.

## Tour de force of 'Ithaka'

Controversy greeted a new play by Strauss, says Della Couling

In the Munich Kammeropertheatre, 400 of the 600 seats were filled by critics. The occasion was the recent premiere of Botho Strauss's latest play (his 15th), *Ithaka*, based on Homer's account of Odysseus's homecoming. The cause for this unprecedented critical mass, however, was the playwright himself.

Three years ago Strauss published an article in the German weekly *Der Spiegel* in which, among other things, he attacked the tendency in Germany among intellectuals to disown things German, to wallow in masochistic self-hatred, to favour the foreign, to welcome everything that destroys Germanness. The reaction has been fierce and enduring, at times resembling a witch-hunt, and he has been accused of everything from betraying the German intellectual left to outright fascism.

The text of *Ithaka*, on sale two weeks before the premiere, was bought and analysed extensively in the German media in the run-up to the premiere, in a frenzy difficult for outsiders to comprehend. Strauss never gives interviews, so it was director Dieter Dorn (who has directed seven Strauss premieres) and the play's Odysseus, Bruno Ganz, who found themselves in the front line. They patiently fielded the often loaded questions from the press, some of whom innocently quoted lines that Strauss had lifted from Homer, to prove that Strauss is "not exactly liberal left".

This production begins with a bang: a huge plaster statue of Pallas Athena, centre stage, topples forward and smashes to the ground. From behind it, the androgynous figure of Athena made human (Sibylle Canonica) emerges and searches among the fragments for knee, wrist and collarbone, placing them stage front. Penelope (Gisela Stein) rises slowly, sitting on her throne, grossly fat, with one of her suitors (Amphinomus - Stefan Hunstein) beside her. She laments her fate, the accretions of bodily fat, the outward manifestations of sorrow and

affliction she has suffered since Odysseus's departure. The tone is slightly exalted, its distance from normal speech giving room for irony and quiet humour.

Three women dressed in black enter and each pick up one of the fragments; they narrate in turn parts of the *Ithaka*, and specifically return, to link the narrative and even the words of the characters: "he added, rising from his chair", "she looked at him in amazement". As Strauss says in a short introduction to the play: "This is a translation of reading matter into theatre. Just as though someone raised his head from Homer's book and saw before him on a stage the long female of *Ithaka*, as he imagines it..."

Penelope and Amphinomus descend again and Odysseus appears - a shabby figure in battered armour. He encounters an old shepherd who soon emerges as Athena; and so the story takes its familiar course. The suitors are almost a show in themselves. Strauss gives us 11, allowing him to flesh them out the wily one, the blustering, the wily, the wimp. They are leather-clad, brightly plumaged, punkish figures, little removed from recognisable modern types. "The war's to blame for everything," whines one, provoking a nervous laugh from the audience. Their radical plans for what each would do if he were king, are definitely not politically correct - but then they are the baddies, though some critics seemed to forget that.

The play is a brilliant theatrical *tour de force*, its pace is sustained and, like Homer's, full of gusto and wit.

There is much humour particularly in Ganz's magnificent Odysseus, the embodiment of Homer's wily, battered old warrior, his wit changing from gummy, querulous old man in his beggar's disguise to the statorian tones of a still vigorous commander.

There was no scandal at the premiere, applause was long and enthusiastic. What the Germans among the 400 will write could be another matter.



Sensual and adult: the appalling 'Voyeurz' fails to arouse

Alain Mitr

Theatre/Ian Shuttleworth

## Bad trash in search of true eroticism

About 20 years ago, the first production of *The Rocky Horror Show* drew less than enthusiastic reviews, but it has since become a classic of the outrageous musical genre and a cult in its own right. It, in decades to come, the appalling *Voyeurz* undergoes a similar rehabilitation, then we might all just as well give up now.

Let us first dispose of the hype: *Voyeurz* has as much to do with lesbianism as a packet of mixed nuts does with the Care in the Community scheme. Conceived, directed and composed by men, it is a male vision of Sapphic titillation. The only female creative input, Bunty Matthias's and Annabel Hayden's choreography, is at its most effective when least concerned with either plot or concept (and I use the words loosely), most notably in a captivating routine with three nude female dancers swathing themselves in white rubber sheets. Nominally yet another nod to fetishism, it is in fact a fine dance sequence.

Similarly, "lipstick lesbian" group Fem 2 Fem are merely the creations of their managers/composers/directors Michael Lewis and Peter Rafelson, and as such have all the "agony" of *The Monkees*. The taped music is well-produced, electro-clubby stuff, but as for the lyrics... I consider myself a connoisseur of alarmingly dull rhymes, and this show

contains more than I have heard since the heyday of Bernie Taupin; particularly execrable are the rhymes of "insane" with "escape", "Tantric sex" with "evil hex" and the immortal couplet, "How are you doing? What is your name?" "Fine, thanks, I'm Jane" (this last contradicting the opening of the breathily catchy "Sex on a Train"). Elsewhere we are advised that "The aim of Tantric sex is to ride the bliss wave"; innocent young Jane's first visit to the exotic club *Voyeurz* leads to a chorus of "She's in the Hole now, ooh, ooh".

I do not believe that these lyrics, or the show in general, are deliberately awful, simply lackadaisical and contemptuous of the audience: it is terrible, runs the plan, but its creators know as much, and therefore it qualifies as camp. This is the curse of postmodernism, and is not at all how the trash aesthetic works.

Producer Michael White seems to be hoping, if not for a *succès de scandale* such as he enjoyed with *Oh! Calcutta*, at least for a cult following. On the evidence of the press night a core of acolytes has already formed; however, the group in the front row heeling their trainers on to the stage for the shoe-fetish sequence were outnumbered by the walk-outs - and the latter were not stamping out in high moral indignation but trudging in dispir-

ited boredom, resigned to the fact that fun was not looming on the horizon.

Production values are high and successfully met, but one recalls the saying about a particular object which cannot be polished. Such laughs as there were, were at the performers rather than with them.

As the enticingly corruptible Jane, Sally Anne Marsh, fresh from clandestine heterosexual snogs in *Grange Hill*, has a singing voice with all the weaknesses of early Madonna, only more so. From the second to back row it was hard to tell whether she deserves profound sympathy for finding herself embroiled in such a farrago or lasting damnation for knowingly colluding in it. Krysten Cummings, as Jane's beloved Andi, has a fine soloist voice in the slightly over-impassioned 1990s mould, but is seldom called to use it upon more than inanities. Of the Hot Gossip-dancers, Robert Nurse (one of only two men in the company) sticks in the mind for an ice-cold display of couldn't-care-lessness during "Stand Back".

This is intended to be sensual, "adult" entertainment. Yet surely the heart of eroticism is allusion, or at most tantalisation. *Voyeurz* is so consistently in-your-face (to name only the most northerly region) that it falls utterly to arouse.

At the Whitehall Theatre, London SW1 (0171-369 1735).

As triumphant conclusions to ambitious festivals go, this one - actually not quite the last word in the Almeida Opera Festival, since a late-night recital by Melanie Pappenheim followed - was the dampest of squibs.

Gravin Bryars's music has never been noted for any pacy, upbeat optimism. Since the cult successes of the 1970s I have heard nothing that has caused the subtlest tremor in the heart, the vaguest conscious thrill in the mind. On the contrary, his formulaic harmonic progressions and accompanimental patterns, his lifeless rhythms, his colourless

times, his awkward instrumentalizations, conspire to send this listener into a state of intellectual paralysis to escape from the dullness of it all.

Writing about the four works performed here by the Gravin Bryars Ensemble feels like describing a day at cricket where a dull draw is inevitable but time has to be served. I feel rather mean writing that, because he is sincere.

The impulse behind "Incipit

Viva Nova", for counter-tenor (the wall-controlled David James) and string trio, was the birth of a child to friends. It sets, in an undisturbed, cosy sort of way, the Latin fragments of Dante's "La vita nuova". "Les Fiancailles", for string quartet, percussion and guitar - developed from a scene for Robert Wilson's epic music theatre piece, *The Civil Wars* - was described by the gentleman next to me as "The

Eric Costes of minimalism, like *The Sleepy Lagoon*". Approving or not, he had a point. And the interruption of the Second String Quartet by the electronic arpeggio of some machine left under a seat pointed out, because it almost matched, Bryars's lazy round-and-round accompanimental figurations. The programme note said something about the composer paying attention to the different ways a quartet

can cohere with diverse pairings, about his use of solo writing versus accompaniment in surprising ways, about the contrasts between homogeneity and heterogeneity. The problem is that if the basic material is this bland such niceties are apt to pass unnoticed. And did.

Five of the eight songs in the *Adrian Songbook*, which ended the concert, were receiving first performances. The Lebanese writer Bial Adnan's poetry,

private and already with its own bleak, passionate music, must be difficult to set. Bryars does achieve something expressive in some of the poems: the ending of the last of the cycle ("we are not scared") is lovely. But again, the accompanimental figures, the ungrateful lines, the movement of harmony, the neglect of emotional variety and context, all are predictable. There are no surprises.

Valdine Anderson was a heroically committed, superb soprano soloist who deserved the torrents of applause she received. Nobody could have done more in the cause of less.

Music/Stephen Pettitt

## Niceties lost among the dullness

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### AMSTERDAM

CONCERT  
Concertgebouw Tel: 31-20-5730573  
● Roman Melnikov and Charis Dimaras: the cellist and pianist perform works by J.S. Bach, Debussy and Shostakovich. Violinist Natsumi Tamai and pianist Maria Kulakowska perform works by Beethoven and Takemitsu; 8.30pm; Jul 26

### CONCERT

Van Gogh Museum Tel: 31-20-5705200  
● Van Gogh drawings, part I each summer for the next four years the Van Gogh Museum will publish a volume of the catalogue of its collection of Van Gogh drawings. To mark each publication, a summer exhibition will be held. In the course of this four-year period more than 500 sheets will be displayed. The first exhibition in the series is devoted to the period from 1880 to 1883. The exhibition also pays considerable attention to Van

Gogh's drawing techniques; to Sep 15

### BERLIN

EXHIBITION  
Kunstgewerbemuseum - Tiergarten Tel: 49-30-2662902  
● Restauriert, Konserviert - Neue Arbeiten aus der Werkstatt des Kunstgewerbemuseums: exhibition focusing on works from the museum collection that were recently restored; to Jul 28

### COPENHAGEN

MUSICAL  
Gladstone Theatre Tel: 45-31678010  
● Hans Christian Andersen Musical: by Flemming Enevold, to music by Sebastian. Directed by Flemming Flindt and performed by the Gladstone Theatre. The cast includes Flemming Enevold, Lisa Nees, Nils Bank-Mikkelsen and Jesper Vignat; Mon-Fri 7.30pm, Sat 7pm; to Aug 3 (Not Sun); Jul 25

### DUBLIN

CONCERT  
National Concert Hall - Cooltras Náisiúnta Tel: 353-1-6711888  
● The Miller Orchestra: with conductor John Miller perform Moonlight Serenade, In the Mood, String of Pearls, Little Brown Jug and other Glenn Miller hits; 8pm; Jul 25

### HAMBURG

EXHIBITION  
Hamburger Kunsthalle Tel: 49-40-24862612  
● Zeichnen ist Sehen: exhibition of

a selection of 75 19th century French watercolours and drawings from the collection of the Budapest Museum of Fine Arts, including works by Delacroix, Corot, Manet, Cézanne, Rodin and Toulouse-Lautrec. Also included in the exhibition are some 85 drawings from Swiss private collections and from the collection of the Berner Museum, featuring works by Ingres and others; to Sep 8

### LONDON

CONCERT  
BBC Henry Wood Promenade Concerts (Proms) Tel: 44-171-8274731  
●ournemouth Symphony Orchestra: with conductor Yakov Kreizberg and violinist Christian Tetzlaff perform Berthold Goldschmidt's Passacaglia, Op.4, Mendelssohn's Violin Concerto in E minor and Shostakovich's Symphony No.11 (The Year 1905). Part of the BBC Henry Wood Promenade Concerts (Proms); 7pm; Jul 25  
Wigmore Hall Tel: 44-171-4352141  
● Piers Lane: the pianist performs Chopin's Polonaise-Fantasia in A flat, Op.61; 12 Etudes, Op.25, Nocturne in C sharp minor No.1, Op.27 and Impromptu in A flat, Op.29; 7.30pm; Jul 25

### JAZZ & BLUES

Queen Elizabeth Hall Tel: 44-171-9210800  
● The Ray Waddsworth Big Band: with director/trombonist Ray Waddsworth and special guest artist trumpeter/vocalist Alan Eason. This, the 27th Louis Armstrong Anniversary Concert, features

numbers made famous by Count Basie, Bob Crosby, Duke Ellington, Benny Goodman, Woody Herman, Artie Shaw and "Satchmo" himself; 7.30pm; Jul 25

### THEATRE

Barbican Theatre Tel: 44-171-6394141  
● Romeo and Juliet: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The cast includes Christopher Benjamin, Susan Brown, Julian Glover and Michael Gould; 7.15pm; Jul 26, 27 (also 2pm)

### LOS ANGELES

CONCERT  
Hollywood Bowl Tel: 1-213-850-2000  
● Los Angeles Philharmonic: with conductor Esa-Pekka Salonen and violinist Julian Rachlin perform works by Mussorgsky, Tchaikovsky and Stravinsky; 8.30pm; Jul 25

### MADRID

EXHIBITION  
Fundación Colección Thyssen-Bornemisza Tel: 34-1-4203844  
● From Caravaggio to Kandinsky: Masterpieces from the Carmen Thyssen-Bornemisza Collection: this exhibition features a selection of 90 works from the Baroness's private collection. The display includes works by artists such as Monet and Sisley; to Sep 8

### MOSCOW

EXHIBITION

State Pushkin Museum Tel: 7-095-2036974

● The Treasure of Troy: exhibition of some 280 gold and silver objects, excavated by the German archaeologist Heinrich Schliemann in Turkey in 1873. It was Schliemann's belief that these objects, including diadems, rings, necklaces and goblets, once belonged to the Trojan King Priamos, but later research has proved this to be untrue. The finds were brought from Berlin to Russia by the Red Army at the end of the second world war; to Apr 1997

### NEW YORK

EXHIBITION  
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400  
● From Bauhaus to Pop: Masterworks Given By Philip Johnson: exhibition on the occasion of the 90th birthday of architect Philip Johnson, honouring seven decades of contributions by one of the MOMA's most dedicated supporters. The show features paintings, sculptures and drawings, as well as posters, design objects, and architectural models and drawings; to Sep 3

### PARIS

EXHIBITION  
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50  
● Un siècle de sculpture anglaise: exhibition focusing on 20th century British sculpture; to Sep 15

### ROME

CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064

● Orchestra a Coro dell'Accademia Nazionale di Santa Cecilia: with conductor Myung-Whun Chung and soloist Riccardo Cucchiola perform works by Beethoven and Brahms; 9pm; Jul 25

### SALZBURG

EXHIBITION  
Rupertinum - Salzburger Landesmuseen Tel: 43-662-80422336  
● Louise Bourgeois. Sculpturen und Objekte: exhibition devoted to the French-born American sculptor Louise Bourgeois. The display gives an overview of her work between 1948 and 1992 and features some 15 to 20 objects; from Jul 25 to Oct 27

### WASHINGTON

EXHIBITION  
National Portrait Gallery Tel: 1-202-357-1915  
● Louis Armstrong: A Cultural Legacy: video and radio clips of Louis Armstrong in performance, along with paintings, drawings, photographs and related memorabilia combine in this exhibition to create a portrait of a man who rose from poverty to prominence as one of the most beloved entertainers of his time; from Jul 26 to Oct 27

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COMMENT & ANALYSIS



Edward Mortimer

# Much to answer for

Ethnic identities in Africa are largely the invention of colonial missionaries but are no less real and no less deadly for that

In Rwanda two years ago between 500,000 and 1m Tutsis were killed by Hutus in an organised genocide. Today in neighbouring Burundi hundreds of civilians are dying each month in tit-for-tat massacres between the same two ethnic groups.

Many people assume that such "tribalism" is an endemic feature of Africa, and that the ethnic identities involved are long-standing and immutable, fixed by language and "blood".

Such, indeed, was the belief of those Hutus who planned the Rwandan genocide. They saw themselves as members of an indigenous "Bantu" majority which had been conquered and oppressed by a "Nilohamitic" master race. This domination had been broken in Rwanda (though not in Burundi) by a "Hutu revolution" in 1959. But the Tutsi overlords, exiled to Uganda, were trying to make a comeback by invading the country in the guise of the Rwandan Patriotic Front. Their Tutsi kin remaining within were seen as a fifth column, which had to be pre-emptively slaughtered.

Yet as Alex de Waal of African Rights, the human rights organisation, wrote in the Times Literary Supplement while the genocide was still in progress: "Anthropologists and historians unite in deriding the description of Hutu and Tutsi as 'tribes', and even as distinct 'ethnic groups'. The two speak the same language, share the same territory and traditional political institutions, and - in spite of caricatures to the contrary - it is often impossible to tell which group an individual belongs to on the basis of physical appearance."

In fact the notion that Hutus and Tutsis had distinct racial origins was dreamed up by European conquerors and missionaries. First German and then Belgian missionaries thought the Tutsi rulers so sophisticated that "they could only have originated from a place geographically, cultur-

ally and above all racially nearer Europe", namely Ethiopia. Indeed Hutu identity itself, according to the anthropologist Catherine Newbury, was a creation of the common experience of Rwandese peasants excluded from power and privilege during the colonial era. Before that, "hutu" merely referred to the status of vassal.

De Waal's conclusion that "Rwanda is - or was - one of the true nations in Africa" begs an enormous question about what exactly a nation is. What is clear is that the Hutu and Tutsi ethnic identities as they exist today are a creation of the colonial era. But in that respect they are anything but unique, as Professor Terecoe Ranger, the Oxford historian of Africa, made clear in a debate on the nature of ethnicity at the University of Warwick in October.

Prof Ranger has worked in western Zimbabwe, known as Matabeleland today because it is now the home of the Ndebele, a clearly defined ethnic group with its own language, Siodebele. He found that

"Ndebele" ethnicity and the idea of an Ndebele tribe speaking only Siodebele are a product of the last hundred years."

In the 19th century, he says, even after the authoritarian and structured Ndebele kingdom was established, western Zimbabwe was "a zone of intense linguistic interaction". When Jesuit missionaries established a huge farm at Empendani, "they found the young men speaking Siodebele and began to write about their tenants as typical Ndebele. They soon discovered that these young men were members of conquered groups being absorbed into the kingdom's regimental system; their wives spoke Kalanga; and the Empendani missionaries eventually came to write studies of typical Kalanga culture. But this desire to elevate one identity over another and to correlate it with language was much more characteristic of missionary than of indigenous thought."

Missionaries seem to have a lot to answer for. In Mozambique it was Swiss missionaries who, offended by the "pro-

gressive linguistic diversity" of their prospective mission field, decided that "a large number of people shared the same linguistic past and that this (proto) Thonga language was rooted in prehistory". This belief, says Patrick Harries, the historian, "dovetailed with the view, dominant in Europe at the time, that language was the major determinant of modes and patterns of thought."

The same process of "selecting out and privileging one language or dialect - and assuming that language was the prime marker of identity" took place "throughout missionary Africa", according to Ranger. Colonial administrations made every effort to break up "inter-tribal" religious networks, but valued and supported "tribal" religion which bolstered the authority of chiefs; and the missionaries, "while preaching membership of the universal body of Christ, in effect created very localised churches, based in the village or at most in an ethnic oak".

But if late-19th century missionaries were influenced by views "dominant in Europe at the time", no doubt the same is true of late-20th century scholars. Ranger admits that whereas in the early 1980s he assumed it was desirable for ethnicity to be replaced by nationalism, he now thinks that "just like nationalism, ethnicity is neither bad nor good in itself". The issue now seems to be "not how to move from reactionary tribalism to progressive nationalism, but how to ensure interactions between a dynamic and inclusive ethnicity and a democratic nationalism".

Ethnicity, in other words, may be a relatively modern phenomenon but it is here to stay. And in places like Rwanda and Burundi it is all too dynamic. But just how ethnicity can become "inclusive" without challenging each other to mortal combat remains a question as hard to answer in central Africa as it is in Northern Ireland.



Coloal legacy: victims of an attack by Hutu rebels in Burundi

# LETTERS TO THE EDITOR

Number One Southbank Bridge, London SE1 8UL

We are keen to encourage letters from the general public. Letters may be used for editorial purposes (please set out in full) and may be edited for clarity and brevity. We do not accept responsibility for return of unsolicited material.

## Climate change challenge unequal

From Dr Ian H. Rowlands

Sir, While few question the global nature of the climate change challenge, few also disagree that industrialised countries must take the lead in meeting it. In its recent advertisements (July 16-18), the Mobil Corporation helpfully highlights the global nature of this issue, but helpfully suggests that the political response should be globally uniform.

The growing concentration of greenhouse gases in the Earth's atmosphere has arisen largely because of the industrialisation in the world's richest countries. Virtually any concept of fairness - be it, for example, "polluter pays", "ability to pay" or "equal rights" - dictates that the north should take the initiative in addressing global climate change. Indeed, that is what negotiators in Geneva are at present trying to do: to agree binding reduction targets for all OECD countries, in a manner that will be as efficient and equitable as possible.

What happens in the south is, of course, also crucial. Once the rich countries have demonstrated their resolve by fulfilling reduction commitments, the debate will rightly be broadened to consider all countries' future emissions. In the meantime, however, any attempt to portray this global issue as one that means "equal action worldwide" will only serve to stall the negotiations.

For the sake of the planet and its inhabitants, let us hope that this tactic soon runs out of fuel.

Ian H. Rowlands, lecturer in international relations and development studies, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, UK

## Unwitting comment

From Ms Karen King

Sir, I read Andrew Adonis' and Mark Suzman's article "So where's the melting pot" (July 20/21) with great interest. However, I noted the complete absence of analysis of the Chinese community's situation in the UK. I found the omission surprising, given they form a not insignificant proportion of the immigrant population. But it does unwittingly sum up the position of the Chinese in Britain today. While most people are willing to believe in the existence of racial discrimination against blacks and Asians, very few believe the Chinese suffer any such problems.

And in the case of the Chinese, I doubt that education will provide the solution. A few years ago, I met a UK government-funded organisation dealing with Chinese affairs for racial discrimination in employment. At one point during the industrial tribunal hearing, the defendant said that of the 30 applicants for the post of deputy director, five had been of Chinese origin. None had been selected for interview. The reason given was that the other four applicants had been considered under-qualified. I had not been called because I was over-qualified. Although I won the case, I am not sure that matters have noticeably improved for the (educated) Chinese in Britain.

see how the euro works out before deciding whether to join. To quote from my book: "Waiting longer will not help us to make up our minds, it will widen the rift between Britain and the single currency countries, which will move ahead fast and write their own rules without taking British interests into account. It will be like Britain's refusal to join the Rome Treaty in 1957. It may be many years before we join, and then it will be on their terms and not on ours."

Christopher Johnson, 39 Wood Lane, London, N6 5UD, UK

## ECB will favour lower Euro interest rates

From Mr Christopher Johnson

Sir, In his generally friendly review of my book *Is the Euro our best friend?* (July 18) Christopher Taylor raises two important issues that require some comment. First, he suggests that the European Central Bank, following in the footsteps of the Bundesbank, will set interest rates "too high from a UK viewpoint". This is an odd scenario to advance at a time when the key short-term rates are 3.80 per cent in Germany and 5.75 per cent in the UK.

Others, notably the Institute of Directors, have said that the UK should not join because it will need higher interest rates than the ECB wants, to keep inflation in check. The reason why German businesses support the euro is that they see it as a way of capping the strength of the D-Mark, which threatens exports and jobs in Germany. If Euro interest rates follow German in staying low while US interest rates rise, then the euro will fall, and the dollar will rise, so as to bring out a fair level of competitiveness across the Atlantic, to the advantage of Germany and other members of the single currency.

Second, Taylor says it would be wise for the UK to wait and

## Good reasons for sanctions against Burma

From Mr My Nyan Nyan Co

Sir, Your article on activists who target European companies investing in Burma ("Western companies encounter protesters on road to Burma", July 12) highlights the continuing strength of feeling against corporate investment in Burma.

There is no doubt that this is now the right time for the European Union to impose co-ordinated and wide-ranging economic sanctions against Burma, for several reasons:

- For the self-interest of the EU. Surely more than words and condemnation are needed to make clear to the Burmese military government that the recent torture and subsequent death of a member country's (Denmark) honorary consul is not acceptable.
- Direct appeal from Daw

violations of human rights. Those who urge caution, those who view the situation purely from a simple economic point of view - i.e. those who take the view that any economic withdrawal will be simply replaced by another investing country - forget very quickly what is at stake. It was only a fortnight ago that Nelson Mandela, the South African president, thanked the people of Britain for taking a stand when their government was not prepared to.

Time and again, it has become obvious that political stability is a necessary precondition for lasting long-term investment and economic growth.

Nyan Nyan Co, 306 Richmond Road, E Twickenham TW1 2DY, UK

## Outdated read

From Mr Aldo Matteucci

Sir, James le Fauu has reread M. Denton's *Evolution: A Theory in Crisis* (Books: "Mysterious by nature", July 20). What a pity he did not read S.J. Gould's *Dinosaur in a Haystack* instead. As shown therein, traditional forms of whales have meanwhile been found in the fossil record.

I enjoy your column on rereading certain books. It is great. Beware, however, of re-bashing long since discarded assertions on facts.

Aldo Matteucci, 13, av. de Badié, 1201 Geneva, Switzerland

# THE BANKER

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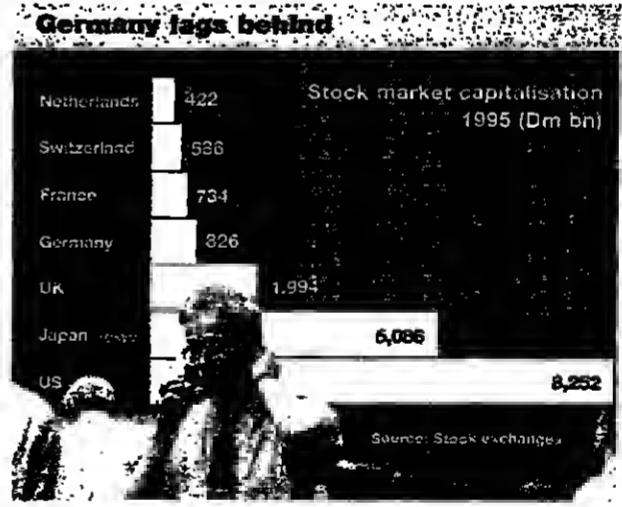
# A venture across the pond

It was a happy occasion, but tinged with regret. When Qiagen, a small German biotechnology company, held a press conference two weeks ago to talk about its listing on Nasdaq, the computerised US stock exchange, it criticised the conditions in its own country which had caused it to cross the Atlantic for new equity.

"Where there is lots of light, there is also plenty of shadow," says Mr Carsten Clausen, head of the company's supervisory board. As the first German company listed on Nasdaq, with an issue that raised \$31m (£20m) at the end of June, Qiagen has gone where other high-technology companies from Germany are keen to follow.

But for Mr Clausen, a 58-year-old banker and lawyer who is a veteran of the capital market scene, it was a "sad experience" that Qiagen had to go "across the big pond" for new capital.

## Andrew Fisher on why a German biotechnology company had to go to the US for new equity



The company needed the money for its rapid expansion. Starting 11 years ago with three scientists - now dollar-millionaires on paper through the share issue - Qiagen, based near Düsseldorf, employs nearly 400 people worldwide. Sales grew 53 per cent last year to \$37m and net income by 86 per cent to \$2.4m. The company claims to be the world leader in products for separating and purifying nucleic acids (DNA and RNA), the molecules forming the genetic blueprints of life.

Mr Clausen says technology companies such as Qiagen have a struggle to raise equity, even in prosperous Germany. "This hinders growth and new technology and it is regrettable that not enough attention is being paid to this subject in the debate about Germany as an industrial location."

However, the message is not falling on wholly deaf ears. Politicians are increasingly aware that small companies create the most jobs. They can also see that equity and venture capital markets in Germany, with Europe's biggest economy, are far less developed than those in the US or Britain.

Thus the government's

recently announced batch of measures to improve German capital markets - to help an eye to helping the country tackle its acute unemployment problem, as well as making securities trading more efficient and transparent.

These measures include more investment freedom for mutual funds, lower capital requirements for securities issuing houses and a shortening of the six-year period in which quoted investment holding companies can sell stakes in companies without being liable to tax. The 30-year period under which banks and investment advisers can be held liable for the contents of prospectuses and their own advice will be shortened to six years and three years respectively.

Cuts in personal and corporate taxes, and the closing of loopholes enabling write-offs for such investments as container ships, should also help stimulate the environment for risk capital. So, too, should the proposed introduction of equity-based private pension funds (the details of which are still being worked out) to encourage more private provision for retirement.

Further down the road are more controversial moves to stimulate Anglo-Saxon type pension funds - which are large equity investors - by putting them on the same tax footing as pension reserves held inside German companies and used for internal financing.

For Qiagen, such reforms may be of little relevance now that it has its Nasdaq quote, made through a Dutch holding company for legal and tax reasons. But as the German biotechnology industry emerges from several years of public scepticism and opposition from political and environmental activists, shortage of development capital is an obvious hindrance to the high-tech sector.

Had Qiagen waited, it could have gone for a listing on a new small company market planned by Deutsche Börse, which runs the Frankfurt stock and futures exchanges. Called the Neuer Markt (new market), it will start in January. Around 10 companies have said they are keen to enter this market - the first will be presented in the autumn - and Deutsche Börse has a database of 350 potential candidates.

Once the Neuer Markt is in full swing, with some 20 issues

expected in 1997 and about 30 a year thereafter, it will combine with France's *Nouveau Marché* (which started in February) and Belgium's *Nieuw Markt* (also to be launched in January) to form the Euro-NM. The idea is to develop a decentralised European stock market for smaller, mainly high-technology companies. Euro-NM will be an alternative to Nasdaq, which will start in Brussels in September as a European version of Nasdaq. Qiagen was pleased with its Nasdaq issue. It was led by Goldman Sachs, the US investment bank, and still leaves management and venture capital firms (which earlier invested \$9.5m) with a majority. Starting at \$12, the shares moved above \$15 to value the company at some \$250m. US investors bought more than 60 per cent of the shares, with Europeans taking the rest. A stock option plan, a rarity in Germany, has been introduced for employees.

The company will use the issue proceeds to expand manufacturing capacity in Europe and the US. Most of its business is with research institutes, but it is pushing deeper into commercial markets such as genomics (gene mapping and sequencing), chemical diagnostics and gene therapy. About 60 per cent of sales - expected to exceed \$50m this year - are in the US, with 30 per cent in Europe.

With Germany's Nasdaq debut now achieved, venture capital funds such as TVM Techno Venture Management, RBS (local savings banks) and Alafi Capital of the US will have an exit opportunity when they want to take profits in Qiagen. Mr Peter Kaleschke, a TVM director, hoped the issue would help give venture capital in Germany an impetus.

But what is really required is a local exit route for venture capital investors and a friendlier environment for risk capital. "German banks tend to concentrate on spreading risk," says Mr Metin Colpan, Qiagen's chief executive. US banks, on the other hand, looked at promising individual sectors. "It's a question of culture."

مكتبة الأمل

# Classic Indian craftsmanship

## The budget shows that highly politicised issues make it hard to address a dangerous public debt burden, says Mark Nicholson

### FINANCIAL TIMES

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## Neutral states become less so

The new-found keenness of the "neutral" members of the European Union - Austria, Ireland, Finland and Sweden - to participate in peacekeeping and humanitarian missions under a European aegis is a welcome landmark in the EU's development.

After a painful re-examination of old taboos, all four governments have concluded that zealous neutrality makes little sense in a Europe where the collapse of the Soviet threat has changed the meaning of security.

All four states have an honourable record of sending soldiers to serve in the blue helmets of the UN, and they apparently see no good reason to refrain from giving their EU partners the benefits of their peacekeeping experience.

Their willingness to take part in certain, low-intensity military operations will also undermine the arguments which have been used by Britain to oppose any rapprochement between the 15-nation EU and its embryonic defence arm, the 10-nation Western European Union.

Britain has repeatedly cited the sensitivities of the neutral nations, which have opted for associate rather than full membership of the WEU, to support its case for keeping the two organisations well apart.

But with every step taken by the four neutral states towards re-entering the European security game, and towards a closer relationship with the WEU, the British case becomes weaker. The EU and WEU will probably draw closer, without fully merging.

Nor need the prospect of closer security co-operation between all 15 EU countries imply any watering down of the role of the US as the guarantor of European security. Its help will, for the foreseeable future, be necessary to fend off any real challenge to the territory of its allies.

As long as peacekeeping operations are properly defined, the prospect of all 15 EU members playing their part in stabilising the world's trouble-spots will also be welcome to Washington, where officials are often bemused by European squabbles.

But perhaps the first contribution the "neutral" EU members should make is in helping to formulate a precise definition of the difference between peacekeeping and combat operations. The bitter experience of the US mission to Somalia shows how difficult it can be to mark out the limits of humanitarian intervention.

The so-called Petersberg tasks, a definition west European states sketched out in 1992 for missions they might undertake alone, are probably over-ambitious in scope. The Petersberg definition includes "crisis management, including peacekeeping" - an unhappy and confused formula that could mean anything from emergency relief to outright military intervention.

The west Europeans would do well to show greater caution. They have already had a hard lesson in the danger of over-confidence in Bosnia, where they promised too much and damaged their credibility in the eyes of the world.

The politician in Mr P. Chidambaram, India's finance minister, will have been delighted with the headlines which yesterday greeted his first budget for India's five-week-old United Front government. "All things to all men" was the headline in one daily newspaper. More than one used the phrase "class-act" budget.

But Mr Chidambaram, a radical economic reformer, may be less content with the fiscal impact of his first budget. While it contained some measures for further liberalising trade and foreign investment, this was not the brave first budget of a new administration determined to accelerate reforms in a post-electoral honeymoon.

In many respects it resembled a pre-election budget, keen to please as many as possible without greatly offending any. As the Business Standard newspaper editorialised, the budget contained "no Big Idea", and seemed "carefully crafted to prevent criticism".

The reason is simple, as Mr Chidambaram explained in Monday's speech. India's recent election produced an "unusually complex mandate", he said, bringing to government a coalition of "political parties of different complexions and different ideologies".

The United Front brings together 13 parties representing regional groups, parties rooted in lower castes, communist parties and "social justice" groups - all of which broadly draw support from the rural, agrarian poor.

Moreover, the coalition, which awkwardly embraces zealous free-traders and old-school Indian communists, does not command a parliamentary majority. It depends for support on the Congress Party, which launched reforms in 1991, and the Communist Party (Marxist), which distrusts much of what has happened to the economy since.

Obviously politics was in the driving seat, says Mr Arjuna Mahabharat, economist with Crosby Securities, an Asian securities house. "You couldn't see him getting a consensus to cut subsidies, and we expected more spending on agriculture."

There was accordingly a 28 per cent rise in subsidies, mostly directed towards fertilisers and irrigation for farmers. A further Rs24bn (US\$1bn) was devoted to the states to spend on housing, water, rural roads and schools for the poor. There was marginal tax relief for the lower middle class.

In all such measures, Mr Chidambaram was bound by the coalition's Common Minimum Programme, the one agreed policy manifesto of the 13 parties, and its declared aim to balance economic growth with "distributive justice".

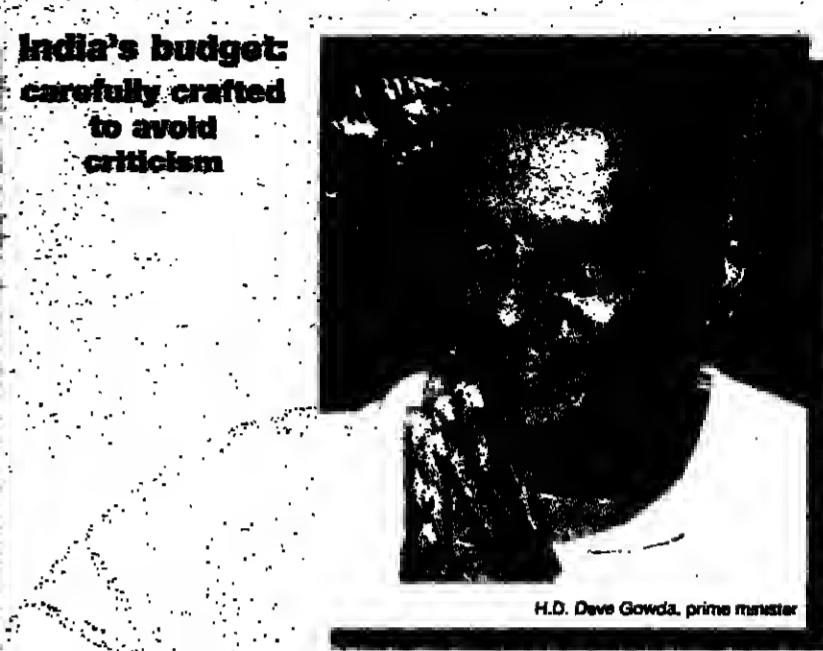
None of the reforms launched five years ago to open up trade and investment were reversed. This was welcomed by foreign banks and investors as a clear sign that India will continue along a reformist path, even if more slowly. "We're not going to see radical reforms as we might in other Asian countries," says Mr Chris Vermont, director of ANZ International Banking. "That's not the Indian way."

Mr Chidambaram even made some modest liberalising moves, promising to expand the list of 35 industries in which foreign investors can take stakes in companies of up to 51 per cent. Rules on foreign institutional investments were eased to double permitted stakes in individual Indian companies to 10 per cent, while allowing investment in some unlisted companies.

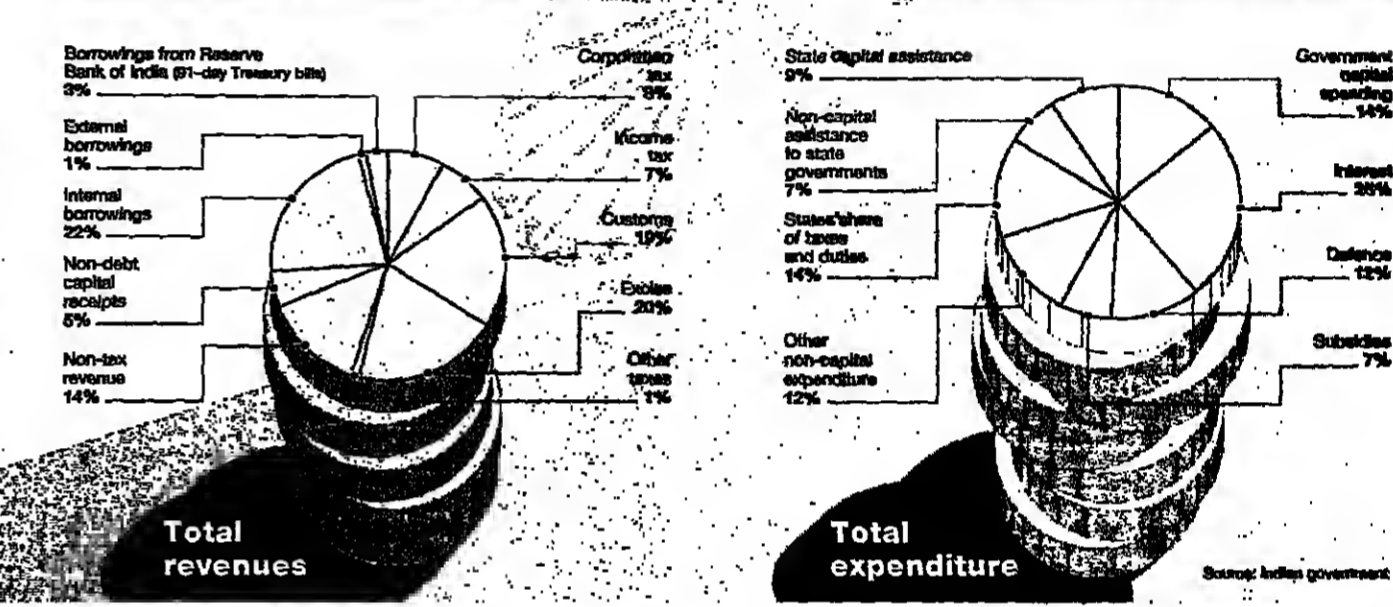
And tariff cuts continued, notably



P. Chidambaram, finance minister



H.D. Deve Gowda, prime minister



## Musical chairs

Mr John Major's modest ministerial reshuffle will doubtless disappoint those who believe that purposeful government consists of an endless game of musical chairs around the cabinet table. Such critics make the same mistake as those who confuse bad policies with poor presentation.

That new ministerial blood is an inadequate substitute for strategic thinking has rarely been more evident than during recent years. Ever before yesterday's changes no fewer than 70 ministers had left office since April 1992. The cabinet has been reshuffled five times and departments such as transport and agriculture have had three or four different masters. Yet the flood of fresh faces has done nothing to restore the government's standing.

Mr David Heathcote-Amory's resignation from the Treasury has also underlined how Mr Major's constant search for political "balance" in his ministerial team has failed to quell Conservative infighting over Europe. So the prime minister was right to restrict the latest changes to the lower and middle ranks even if he once again ducked the opportunity significantly to reduce the size of the ministerial payroll.

Within those parameters, the

promotion of Mr David Willetts, among the brightest of the 1992 intake of MPs, and the appointment of a woman to the formerly male citadel of the Whips Office, were sensible if spectacular.

Mr Tony Blair, the Labour leader, does not exercise the same control over his frontbench team. He would have liked to cancel today's election to the shadow cabinet but was thwarted by his party's MPs. In response, Mr Blair has sought to render the election pointless by dissuading the most able contenders from standing against the incumbents.

The only remaining interest lies in whether Labour MPs decide to defy Mr Blair by refusing to back Ms Harriet Harman, the health spokeswoman. Though a close ally of the leader, she faces a possible backlash from colleagues over her decision to send one of her children to a selective school.

Ms Harman's fate, and the implications of Mr Blair's reshuffle, will be the subject of much debate among MPs as they prepare for their long summer break. The reaction outside Westminster will be one of supreme indifference. And sure enough, a glance at the new party line-ups for the general election is enough to forgive the voters a yawn.

## Uneasy allies

The uneasy alliance between South Africa's African National Congress and the trade union movement appears to be crumbling. Mr Sam Shilowa, general secretary of Cosatu, the leading trade union federation, has denounced the government's economic policy in Britain and France earlier this month, he said it hard and well.

Mr Shilowa would have it otherwise. He would spend more government money to right the social injustices of apartheid. He is strongly opposed to privatisation, in spite of the fact that many state enterprises were blatantly political creations of the former white minority government. He accuses the government of bending over backwards to placate the International Monetary Fund and woo foreign investors. He says the country is succumbing to the "blackmail of the market".

Unfortunately for Mr Shilowa, his is a recipe for inflation, not job creation. There is a huge gap in black living standards to be closed, but it will only come about as a result of economic growth, not deficit spending. Foreign investment is essential if South Africa is to come near its goal of 6 per cent growth by 2000, and 400,000 new jobs. Domestic savings will simply not generate enough internal investment.

Mr Mandela's job is now to sell his policy as persuasively to his domestic audience as he has to foreign investors. That means adopting the same strategy with struggle united to fight the first open elections. It is too broad a movement to conduct a rigorous economic policy.

The government's strategy, unveiled last month, centres on

metal, chemical, textile, electronic and other industrial inputs, which will cut India's average tariff by one percentage point to 27.5 per cent. But reforms were also balanced by nods towards Mr Chidambaram's more protectionist and leftist colleagues. The maximum tariff was left at 50 per cent, with a new 2 per cent "surcharge", increasing protection for consumer goods.

Mr Chidambaram and his ministry have long argued that India's insurance sector must be opened to foreign and private investment, in particular to afford the kind of long-term finance essential to fund big infrastructure projects. But he said this would not be addressed until his next budget.

A longstanding corporate tax surcharge of 15 per cent was halved. But a fresh tax was introduced on "book profits" to catch the 1,000 companies which take advantage of allowances to pay no corporate tax.

Cuts in subsidies and overall government spending, the minister said, would be considered by soon-to-be-appointed commissions - in other words, deferred. And while announcing plans to raise Rs50bn through selling stakes in state assets Mr Chidambaram made no move towards full privatisation or structural reforms of India's sickly public sector.

"This was not the budget of a government expecting to last a five-year term," says Mr Arun Nehru, a former Congress minister and political commentator. "I expect, and I

think a lot of the government expects, there will be another election within a year."

In part, such analysis is based on the view that the coalition will be too fractious to survive. One cynic has described the government as "a 13-state house built on quicksand".

Mr H.D. Deve Gowda, prime minister, has already had to exercise his powers of coalition negotiation to calm squalls over such issues as cabinet appointments. But the United Front is also vulnerable to instability from within.

Its support on the left can be assured only while the government does nothing the leaders of the Communist party (Marxist) consider "anti-people". The party has already attacked the government for recommending public sector job cuts and steep fuel price rises.

On the other flank, meanwhile, the government is vulnerable to defections should Mr P.V. Narasimha Rao resign as Congress party leader. He has resisted pressure from dissident Congressmen to resign as leader following the party's worst showing since independence during the last elections. But his alleged involvement in a \$100,000 swindling case and other investigations for alleged corruption may force his resignation.

Some in Congress and many ex-Congress factions in the governing coalition believe Mr Rao's removal

would lead to a realignment that could shake up the United Front.

Fears for the coalition's survival are one reason why its leaders shy away from tough decisions in favour of more immediately popular moves. But there are others - notably the strength in the coalition of regionally-based parties such as the Uttar Pradesh-based Samajwadi Party and the Janata Dal. Their roots are at the level of state government which - unlike the traditionally more aloof Delhi government - is directly responsible for delivering most public services. Moreover, many are facing state-level elections within months.

The government's preoccupation with such immediate political issues is a constraint on taking tougher, longer-term economic decisions. But it also indicates that five years of liberalisation have not completely "depoliticised" the running of the economy - as Mr Manmohan Singh, the former Congress finance minister who launched India's economic reforms, claimed. The budget indicates that concerns such as the liberalisation of insurance, heavier tariff cuts, subsidy cuts and structural reform or privatisation of the public sector remain highly politicised issues.

And while they remain so, it will be hard for India adequately to address the growing and dangerous burden of public debt. Given buoyant growth of between 6 per cent and 7 per cent, Mr Chidambaram can entertain some hope of cutting

## Open... and shut

It is never said that Russia's historic bid to shift from a communist superpower to a market economy, open to outside investors and outside ideas, would be easy. While the country has made some progress, the transition has also created a curious hybrid of the old and the new.

This combination of communist habits and capitalist aspirations was on display yesterday at the White House, the seat of the Russian government.

In a demonstration of the sort of openness intended in the Soviet era, Mr Chidambaram, India's finance minister, invited reporters to a press conference to announce

When the gross charge assembled it was initially disappointed. Staff had expected that four major Russian-owned companies were on the verge of takeover. "Which ones?" the bankers asked.

But here, said the old KGB financier, "That is a big secret". Staff asked replied. He left the mystery unsolved.

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# FINANCIAL TIMES

Wednesday July 24 1996

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## Intention to keep tight rein on inflation signalled

# Bank of Italy reduces discount rate to 8.25%

By Robert Graham in Rome

The Bank of Italy yesterday announced a 0.75 point cut in the discount rate to 8.25 per cent of today, but sent a strong signal that it intended to keep a tight rein on inflation.

The government and the business community had been expecting a full percentage point cut, but by being more cautious, the central bank let its concerns about inflation be known.

A brief bank statement accompanying the announcement said the move had been made possible by the decline in inflation, with an annualised rate below 4 per cent this year. On several occasions in recent months, Mr Antonio Fazio, the bank's governor, has said he would not touch rates until he saw the trend clearly pulling Italy below 4 per cent.

Preliminary figures for Italy's major cities revealed that this week that consumer prices fell in July for the first time in 25 years and

gave an annualised rise of 3.7 per cent. However the central bank is well aware this figure remains high by European Union standards.

The central bank's statement said it clear yesterday that any further cut in the discount rate would be unlikely until inflation fell below 3 per cent. The central government headed by Mr Romano Prodi has forecast inflation for 1997 to average 2.5 per cent.

"The inflation forecasts point to a clear fall. It is realistic to estimate average inflation in 1996 under 4 per cent," the central bank said. "Monetary conditions are aimed at a further fall in inflation beneath 3 per cent in the coming months and in 1997."

The bank's move, though less than hoped, was welcomed by government officials, who claimed it was proof that the monetary authorities now had given their seal of approval to the 1997 budget outline and their

three-year macro-economic policy document.

Confindustria, the employers confederation, said that the cut was merely the first step in the right direction.

A 1 percentage point cut in interest rates means a saving of some 1.5,000bn (93.8bn) over 18 months in the service burden of Italy's huge debt.

Commercial interest rates have been falling steadily since the end of last year and are now close to 7.5 per cent. But the discount rate remains the official benchmark.

Analysts last night said the timing of the move was not just conditioned by the latest inflation figures. If the bank waited much longer, it faced the risk that US interest rates might start moving upwards, which would have made an Italian cut more difficult.

The last change to the discount rate was in May 1996, when it was increased by 0.75 of a percentage point.

## Olympics organisers may be sued over TV chaos

By Jimmy Burns in London and Peter Aspin in Atlanta

Europe's public broadcasters may sue the organisers of the Atlanta Olympic Games for breach of contract after complaining that chaotic working conditions for journalists had undermined coverage of the opening events.

The European Broadcasting Union, the second-largest Olympic broadcast rights holder after NBC, the US network, is considering seeking the refund of some of the \$50m paid for rights to the games, arguing breach of contract by the organisers.

Last night, Mr Richard Bunn, controller of sports rights for the EBU, said: "There have been some improvements over the last 24 hours, but not enough has been done. We have a contract to cover the games and we are looking at what legal action we can take to seek compensation."

Earlier, the organisers of the games admitted they still had not solved the technical problems which have prevented results of events being transmitted quickly to journalists and news agencies.

Mr Bob Brennan, spokesman for the Atlanta Committee for the Olympic Games (ACOG), said there were still glitches in the world press feed, devised by International Business Machines to provide customised data for news agencies, broadcasting companies and newspapers. "Some pieces of it are working, and some are not. We are working on it as hard as we can."

He said the problems on Info 96, the system which provides information to journalists in Atlanta through some 1,800 terminals, were gradually being solved. He admitted there had been some errors in data, but not an unacceptable amount considering the size of the system.

The EBU's head of operations Jarle Hoegsater has written to the Olympic organisers saying that working conditions had made it impossible for broadcasters to deliver programmes of acceptable quality to their viewers and listeners in Europe.

One complaint is that "journalists had been prevented from gaining access to working areas such as commentary positions, camera positions... even if they had all necessary credentials".

Another was that delays in transport to sports venues have "damaged transmissions because there was not sufficient time for testing and preparation, and in some cases the broadcasters, including commentators, could not reach their venue in time".

"It's something we didn't expect from the Americans. All the promise was of the best games ever seen. Instead we've had chaos," commented the EBU's head of TV programme division, Mr Wilfried Verlande.

A dearth of medals, Page 3

## THE LEX COLUMN

# Monopoly money

Microsoft has again demonstrated the joys of being a monopolist in a fast-growing industry: rising prices, higher volumes and lower costs. Personal computer hardware manufacturers have seen the industry's 20-25 per cent volume growth over the past year wiped out by vicious price-cutting. Not so Microsoft, which dominates PC software.

A cursory look at the group's results does not do full justice to Microsoft's position because it smooths its earnings. About \$50m in sales during the last financial year were not taken to the profit and loss account. Add them back and revenue grew 54 per cent, rather than the 46 per cent reported.

The revenue growth is explained, partly by PC market growth, partly by new products and partly by price increases. Microsoft does not put up prices of existing products - that would smack too much of gouging captive customers. It merely charges more for new versions. For example, PC makers have to pay \$43 for its Windows 95 operating system, compared with \$38 for the older Windows 3.1. The next version, Windows NT 4.0, due to be launched in August, is expected to cost around \$65 - roughly double the price of Windows 3.1.

Meanwhile, Microsoft's manufacturing costs are dropping: expensive floppy discs and "shrink-wrapped" boxes are going out; cheap CD-ROMs, the electronic distribution of software and licensing deals are coming in. The effect has been to boost gross margins in the latest quarter from 86 per cent to 89 per cent - or an astonishing 80 per cent once account is taken of the profits smoothing. That should keep Mr Bill Gates smiling.



slipped to 19 per cent. But this is because of high levels of marketing and research and development spending, reflecting forthcoming product launches. The second half should see the roll-out of treatments for cancer, Parkinson's disease and a new paediatric vaccine.

The second concern is SmithKline's weak cash flow. Again this has been distorted in this case by high spending on new R&D facilities. Net debt of \$2.3bn may look high, but is of little concern since interest cover is in double figures. And if the group needed more financial headroom to expand further in pharmaceuticals, it could sell its poorly performing clinical laboratories division - something it should consider anyway. Given compound earnings growth of 12-15 per cent over the next five years, the shares look cheap.

### UK utilities

Investors are right to challenge United Utilities' new executive remuneration package at Friday's annual meeting. In itself, the company's new long-term incentive plan - which will reward top executives if United Utilities produces a greater total shareholder return than the average FT-SE 100 company - is not objectionable. In fact, schemes which align executives' interests more closely with those of shareholders are welcome. The real problem is that United Utilities has, at the same time, increased the basic salary of its chief executive by 25 per cent. Not only does the combination look over-generous but a high basic does nothing to spur executives to improve performance. By all means, pay more for top performance; but keep the basic low.

That said, there is a risk that the latest row will descend into another round of utility-bashing. It is easy to see why utilities are soft targets: they operate in politically sensitive sectors and some of their executives are second-rate. But the common notion that utility managers should be paid less than their counterparts in other industries is misconceived. Acting on it would merely be a recipe for continuing to employ second-rate executives - hardly in shareholders' interests. The better approach would be to sack those not up to the job and reward the rest as handsomely as their peers in other sectors. Unfortunately, if utility-bashing continues unabated, it will be increasingly hard to recruit talented executives.

Additional Lex comment on Stagecoach, Page 19

## Israel and Palestine agree to push forward peace moves

By Julian Ozanne in Jerusalem

Mr David Levy, Israel's foreign minister, yesterday met Mr Yasir Arafat, president of the Palestinian Authority, opening the first high-level dialogue between the new right-wing Israeli government and the Palestine Liberation Organisation.

The meeting ended decades during which the right-wing Likud party has refused to talk directly with Mr Arafat and his senior PLO aides. Israeli officials said it signalled a step towards a meeting between Mr Arafat and Mr Benjamin Netanyahu, the Israeli prime minister.

Both sides described the meeting as fruitful and Mr Levy and Mr Arafat said they had agreed to continue contacts to push the peace process forward.

"We decided to formalise our relations and to create proper frameworks for examining the issues and advancing them," Mr Levy said after the meeting at the Erez crossing point between Israel and the PLO-ruled Gaza Strip.

Government officials said it marked the continuation of Mr Netanyahu's efforts to prove to Arab and western states that he was committed to advancing the peace process, albeit with significant modifications to agreements negotiated by the previous Labour-led government.

"We are honouring our commitment to the voters," Mr Netanyahu said in Jerusalem. "I said we will maintain contacts with the Palestinians which will evolve into ministerial levels. We are doing just that."

Palestinian officials said Mr Arafat urged Mr Levy to resume meetings of the joint steering committee overseeing implementation of the peace process; to set a date for the long-delayed withdrawal of Israeli troops from the occupied West Bank town of Hebron and to maintain a block on building Jewish settlements in occupied territories. Mr Levy raised Israel's demands for a reduction of PLO activity in occupied Arab East Jerusalem and improved security measures against Islamic extremists.

Political commentators said the meeting marked the continuing success of Mr Netanyahu in reassuring Arab and western states that his government is committed to continuing with the peace process. Mr Netanyahu earlier this month held meetings, viewed in Israel as successful, with US president Bill Clinton in Washington and Egyptian president Hosni Mubarak.

"The expectations of a full frontal confrontation between the Netanyahu government and the Arab world are not being borne out, at least for the moment," Mr Nahum Barnea, senior columnist with the Yediot Aharonot daily newspaper, said yesterday.

"Arab leaders, at least those whose gazes are set on the US, are giving Netanyahu the grace period which some Israelis are refusing him."

"Netanyahu is telling them that he is committed to the process. We believe you, they are telling him. Now prove it."

Israel eases blockade, Page 5

## Samsung takes 5.1% stake in Hyundai

Continued from Page 1

friendly shareholders increase their equity stakes to 65 per cent. Shareholders considered friendly already control about half of Kia. Besides Hyundai, they include Ford Motor of the US and Mazda of Japan - which hold a combined 16.9 per stake - and company employees and subcontractors.

However, analysts believe that unless Kia achieves significant sales and profit growth, it will face a financial crunch that could lead to a forced merger with another carmaker.

Although it is Korea's ninth biggest conglomerate, Kia has focused almost exclusively on the car industry. Kia does not have the diversified industrial structure of most Korean groups

and cannot rely on other businesses to bail out its car operations during bad times.

Kia's industrial specialisation, however, has won it the support of the government, which wants other Korean conglomerates to follow a similar core business strategy.

Kia last year reported a modest net profit of Won11.5bn after a loss of Won63.6bn in 1994.

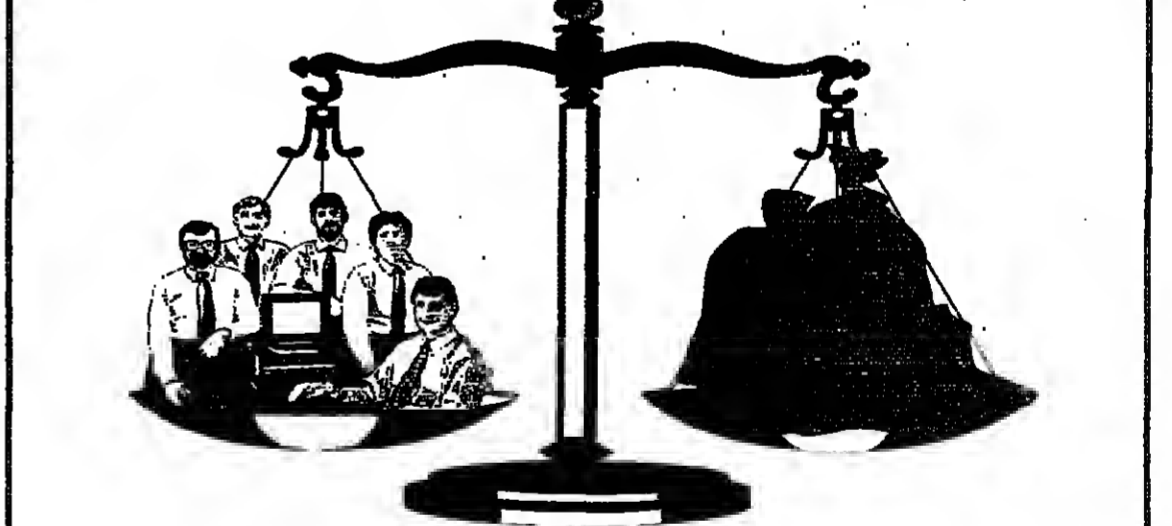
A dearth of medals, Page 3

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### FT WEATHER GUIDE

#### Europe today

Ireland, Scotland, Wales and the western part of England will be dry with sunny spells. Eastern England, however, will be generally cloudy with occasional outbreaks of rain. Showers, some of which may have thunder, are expected in the Benelux, Germany, the Alps and eastern Europe. The showers will be accompanied by strong westerlies in the Benelux and northern Germany. The unsettled conditions will be caused by a low pressure system over the southern part of the North Sea. Its associated front will trigger numerous thunder storms in southern France and eastern Spain. Some of these storms may be severe with hail or damaging winds. Southern Italy, the southern Balkans, Greece and Turkey will be mostly sunny.

#### Five-day forecast

The British Isles and western Europe will continue unsettled with plenty of rain in Ireland and Scotland. Severe thunder storms will erupt over eastern Spain and the Alps tomorrow but clearing is expected on Friday and during the weekend. The northern Balkans will have a mixture of sun and cloud with a few showers but the southern Balkans will continue dry and sunny. Most of the Mediterranean will be sunny.

Warm front Cold front Wind speed in KPH

TODAY'S TEMPERATURES		Situation at 12 GMT. Temperature maximum for day. Forecasts by Meteo Consult of the Netherlands	
Maximum	Minimum	Abu Dhabi	sun 34
Cairo	27	Algeria	sun 31
Bangkok	33	Amsterdam	show 19
Bombay	30	Athens	sun 30
Buenos Aires	21	Calcutta	sun 31
Chengde	23	Colombo	sun 31
Delhi	33	Dubai	sun 32
Hong Kong	28	Guangzhou	sun 31
London	16	Los Angeles	sun 28
Madrid	28	Manila	sun 30
Mumbai	31	Medan	sun 30
New Delhi	33	Osaka	sun 28
Paris	18	Perth	sun 27
Seoul	28	Singapore	sun 31
Sydney	22	Taipei	sun 30
Tokyo	25	Yokohama	sun 29
Zurich	17		

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مكتبة الامم المتحدة



COMPANIES AND FINANCE: THE AMERICAS/ASIA-PACIFIC

Robust sales at Schering, AHP

By Richard Waters in New York

Cost-cutting at American Home Products following its merger 18 months ago with American Cyanamid turned a 6 per cent rise in revenues in the second quarter of this year into a 30 per cent increase in after-tax profits, according to results released yesterday.

in revenues from agricultural products and were offset by a 4 per cent fall in sales of medical devices. The company's latest earnings were boosted by a 4 per cent decline in its production costs, to just under \$1.2bn.

Smokers buoy RJR Nabisco

By Tony Jackson in New York

A strong performance in international tobacco helped RJR Nabisco raise net income 11 per cent in the second quarter, before one-time items, to \$2.12bn, or 64 cents a share.

Mr Steven Goldstone, chairman, said he expected continuing improvement in tobacco and a much better performance in food in the second half. Worldwide tobacco sales were unchanged at \$2.03bn, while profits rose 4 per cent to \$562m.



Steven Goldstone: expects second-half improvement

54 per cent share of the UK premium sector. UK cigarette volume was down 7 per cent in the quarter but up 2 per cent for the first half. Export volumes in this quarter were flat.

Growth in restaurants and snacks drives rise at PepsiCo

By Tony Jackson

Strong growth in restaurants and international snacks helped PepsiCo to a 20 per cent increase in earnings for the second quarter, to \$688m or 86 cents a share. The increase exactly matched that of PepsiCo's rival Coca-Cola.

NEWS DIGEST

Placer Dome hit by \$40m provision

Placer Dome, the Vancouver-based metals producer, slipped to a second-quarter loss as a result of lower molybdenum prices, higher operating costs, and a US\$40m provision to cover an accident at its 40 per cent-owned Maricopper mine in the Philippines.

MacMillan Bloedel slides 20%

Weak Japanese timber markets, lower log and chip revenues and declining prices for paper and containerboard hit MacMillan Bloedel's second-quarter results.

Vitasoy hurt by recalls

Vitasoy International Holdings, the Hong Kong-based drinks and food manufacturer, yesterday revealed the impact of product recalls earlier this year, announcing net profits of HK\$30.6m (US\$4m) for the 12 months to the end of March, a 75 per cent decline on the 1994-95 result.

News Corp files Fairfax notice

Mr Rupert Murdoch's News Corporation yesterday filed a public notice saying it was no longer a substantial shareholder in John Fairfax, the Australian newspaper publisher.

Colonial Mutual listing date

Colonial Mutual, the Australian-based life insurer which has a large number of policyholders in the UK and New Zealand, yesterday indicated it planned to list on the stock market in the second quarter of 1997.

Drug launch boosts Elan Corp

Elan Corporation, the Irish-based drug delivery company, reported a 51 per cent increase in pre-tax profits, from \$18.7m to \$28.2m, in the first quarter to June 30.

Teck edges ahead to \$20m

Teck, the Canadian mining and metals holding company that controls Cominco, posted second-quarter earnings of \$20m, or 20 cents a share, up from \$18m, or 18 cents, on fewer shares outstanding a year earlier.

PanCanadian Petroleum record

PanCanadian Petroleum, Canadian Pacific's main profit contributor, enjoyed record first-half production of oil and gas. Net earnings were \$152m, or \$1.21 a share, up 7 per cent from \$142m, or \$1.14, on revenues of \$1.31bn against \$1.23bn, up 66 per cent.

BankSA contribution helps earnings at Advance Bank

By Nikki Taft in Sydney

Advance Bank, which became Australia's fifth largest commercial bank when it acquired the former state government-owned Bank of South Australia for A\$730m (US\$577m) last year, has posted an after-tax profit of A\$122.7m for the year to end-May.

months. The total charge for bad and doubtful debts was also higher at A\$14.7m against A\$3.47m, and there was a A\$3.5bn restructuring expense, up from A\$2.41m in the previous year.

Saks in talks on Barney's

By Lisa Branshan in New York

Saks Holdings, parent company of Saks Fifth Avenue, said yesterday it was negotiating to take control of Barney's, the New York-based department store that filed for bankruptcy in January amid an acrimonious dispute with its Japanese partner, the Isetan retailing group.

erly Hills back to Barney's. Isetan would regain market rights to the Barney's name in Asia. Mr Robert and Gene Pressman, the brothers who are joint chairmen and owners of Barney's, said they filed for Chapter 11 bankruptcy protection to force Isetan to restructure the partnership agreement.

Sales surge lifts Nortel 35%

By Bernard Simon in Toronto

A surge in US orders and global wireless equipment sales propelled Northern Telecom to higher than expected second-quarter revenues and a 35 per cent jump in earnings.

Revenues advanced 19.5 per cent in the first six months to \$5.61bn. This included a 27 per cent rise in US sales, and a 37 per cent jump in wireless equipment, in which Nortel is a relative newcomer.

Sales surge lifts Nortel 35%

By Bernard Simon in Toronto

According to Mr Monty, Nortel has been especially successful in signing up local phone companies for new Internet-related products, most of which are still at a trial stage.



Jean Monty: ascribes US advance to market share

Europe's contribution to revenues slipped to 24 per cent in the first half, from 25 per cent. Nortel signed up sizeable wireless accounts in Ireland and Belgium.

Banamex profits up 35% at halfway

By Bernard Simon in Toronto

Banamex, the Mexican bank, saw net profit in the first half of 1996 rise 35 per cent on the comparable period to 1,259m pesos (US\$18m), reports AP-DJ from Mexico City.

reserves, now covering 75 per cent of its past-due portfolio. At the end of March 1996, reserves covered 64 per cent of the past-due portfolio. With the increase in reserves, Banamex said the ratio of past-due loans to the total loan portfolio fell to 2.5 per cent at the end of June 1996 compared with 3.5 per cent in March 1996.

profits up from 438m pesos to 559m pesos, reports Reuters from Mexico City. First-half operating profit was 800m pesos, compared with 628.7m pesos in the first six months of 1995.

The Financial Times plans to publish a Survey on Mexico on Monday, September 23. The survey will look at the country's economy, politics, financial markets, foreign policy and more.

JCI Limited. (Registration number 65088900) (All companies mentioned are incorporated in the Republic of South Africa) GROUP GOLD MINING COMPANIES

Table with 3 columns: Quarter ended, Year ended, and various financial metrics like Ore milled, Yield, Working cost, etc.

Western Areas

Table with 3 columns: Quarter ended, Year ended, and various financial metrics like Ore milled, Yield, Working cost, etc.

H. J. Joel

Table with 3 columns: Quarter ended, Year ended, and various financial metrics like Ore milled, Yield, Working cost, etc.

All figures are unaudited. Quarterly reports have been mailed to the shareholders of each company. Copies of the reports may be obtained from JCI (London) Limited, 6 St James's Place, London SW1A 1NP.

مكتبات الأصيل



# Bertelsmann, Kirch in TV decoder plan

By Judy Dempsey in Bonn

Bertelsmann and Kirch, the German entertainment and media groups, are close to an agreement to launch a standard decoder for digital television, ending a bitter struggle between the arch-rivals.

Both groups yesterday said talks were progressing well to launch a single decoder that will be compatible with the set-top boxes - the equipment required to unscramble digital TV signals - each had been developing separately.

"The details are being worked out. They will be announced on Friday", Bertelsmann said.

Mr Leo Kirch, founder and chairman of the Kirch group, had planned to launch his own decoder, together with DFL, his digital television channel, during the Formula 1 German Grand Prix this Sunday, as it

was clear he had an advantage over Bertelsmann.

He has the technology and marketing in place, and an attractive package of programmes - including sporting rights, films, music and documentaries.

Mr Kirch also has an influential backer following this month's decision by BSkyB, the UK pay-TV channel controlled by Mr Rupert Murdoch, to take a 49 per cent stake in DFL.

The decision to agree on a common decoder was reached after talks between Mr Kirch, Mr Mark Wessner, chairman of Bertelsmann, and Mr Michael Dornemann, a Bertelsmann board member.

The pace of the talks quickened this week after Mr Murdoch and Canal Plus, the French pay-TV group, joined the negotiations.

Canal Plus, along with Bertelsmann and the Kirch



Leo Kirch: his group planned to launch its decoder on Sunday

group, is a shareholder in Premier, Germany's only pay-TV channel. Mr Murdoch was anxious to bring Premier close to DFL as it already had 1m subscribers.

Premier became involved in a tug-of-war between all partners, each side wanting to use it for its own digital television platform. However, the possibility of a

split market finally persuaded all sides to go to the negotiating table.

The growing consensus among Bertelsmann, the Kirch group, Canal Plus and Mr Murdoch was that in spite of the rivalry, and given the heavy start-up investments, it was preferable to join forces and launch a common decoder.

For Bertelsmann, the agreement amounts to a face-saving exercise. It had failed to match either the Kirch group's marketing strategy - which involves Metro, the German retailer, and Videocom, the telecommunications division of Veba, the German industrial conglomerate - or the group's programming.

The Kirch group will obtain assurances that even if some consumers opt for the Bertelsmann set-top box, there will be a common decoder which will give them access to the DFL channel.

# Unions step up pressure on state to back CFF rescue

By Andrew Jack in Paris

Trade unions at Crédit Foncier de France, the troubled specialist property lender, yesterday stepped up political pressure for the state to support a rescue plan and a continuing role for the bank in funding low-income housing.

The all-union committee placed a full-page advertisement in the Le Monde newspaper calling on President Jacques Chirac to help the institution, which reported losses of FF10.6bn (\$2.1bn) for 1995 after making provisions of FF13.6bn.

It highlighted the president's comments during a July 14 television interview, in which Mr Chirac stressed the difficulties of the country's banking sector and the state's poor management of nationalised institutions.

Separately, MPs from the ruling majority allied themselves with opposition politicians yesterday to call for a parliamentary inquiry into the reasons for the problems at the lender.

The latest demands come as efforts continue to find an institution to recapitalise or take control of Crédit Foncier. There is believed to be only one serious candidate, although it is possible that the Caisse des Dépôts et des Consignations, the large state-controlled investment institution, may also intervene to save the bank.

However, there are growing indications that the deadline to find a solution by the end of July, set by the French economic ministry earlier this year, will have to be extended.

At its annual meeting Crédit Foncier ran into problems in an attempt to approve a cut in its capital to cover losses, after shareholders expressed their dissatisfaction with its proposals. It will be forced to present new plans by October.

Meanwhile, the bank's staff are negotiating over a proposed restructuring plan which would demand net reductions of more than 900 jobs out of the current workforce of nearly 3,400.

The French state has come under growing criticism for its role in the management of the bank. Although it is not a shareholder, it sits on the governing board and appoints the chairman, or "gouverneur", and his deputy.

One union representative said yesterday he hoped any outside group which took over the bank would be European, if it was not French, and that if no candidate could be found the state should extend its guarantee of support for the institution until October at least.

## NEWS DIGEST

# Ambroveneto posts sharp rise midway



Banco Ambrosiano Veneto, the Italian bank, announced yesterday that gross operating profit had risen to L4,600m (\$891m) in the first six months of 1996, a 13 per cent advance over the first half of last year, and confirmed the appointment of Mr Corrado Passera (left) as chief executive. Mr Passera was chief executive of Olivetti, the Italian computer group headed by Mr Carlo De Benedetti, who announced Mr Passera's departure unexpectedly last month. Ambroveneto, which has nearly 600 branches across Italy, is one of the banks which the treasury and Bank of Italy are courting as a partner for Banco di Napoli, southern Italy's largest bank. The conditions for a treasury-led recapitalisation of Banco di Napoli include an agreement on reducing labour costs - signed this week by managers and unions - and the support of other banks.

Ambroveneto took part in last year's emergency loan to Banco di Napoli but has not said yet whether it would be prepared to convert that loan into equity. A meeting of Banco di Napoli shareholders is due to take place next week to vote on the recapitalisation. An Ambroveneto spokesman said yesterday that the next board meeting at which a possible investment in Banco di Napoli could be discussed would take place in the third week of September, to approve the half-year results.

# Jungfraubahn to go to market

Switzerland's top tourist attraction is to be floated on the stock market. The Jungfraubahn, which runs the 100-year-old railway up one of Switzerland's highest mountains, is planning to sell 25 per cent of its equity in a public offering. The railway, which carries around 500,000 passengers a year up the Jungfrau, is one of the most popular attractions for foreign tourists and has survived the downturn in Switzerland's tourist industry.

Last year was its second best ever, and bookings for the second half of 1996 are ahead of the record year of 1994. About three-quarters of the passengers come from outside Switzerland, and the dramatic railway trip is a firm favourite for tourists from the Asia-Pacific region. It also charges Europe's most expensive fares - a return journey, to what the railway company calls the "Top of Europe", can cost up to SF150 (\$124).

Jungfrau Holding last year reported net income of SF16m on revenues of SF95m. It generated cash flow of SF27m and has financed two-thirds of its SF130m long-term investment programme from its own resources. It has increased its annual dividend by SF1 to SF7, based on a current share price of around SF120, is selling on a price/earnings multiple of 8. More than 80 per cent of the shares are owned by two regional banks, the Berner Kantonalbank and Berner Spar and Leihkasse, and B&W SMB Beteiligungen, a local power company.

# Pro 7 set for float

Pro 7, Germany's commercial television channel with close ties to the Kirch group yesterday said it would be ready to trade on the stock exchange next year after entering the pay-television market later this year. Mr Georg Köfler, chairman, said investments last year had doubled to DM1.5bn (\$874m), compared with the previous year, a signal that Pro 7 was set to become a big participant in commercial television through acquiring distribution rights for films.

Group sales rose 23 per cent, from DM1.19bn to DM1.46bn over the same period, while profits advanced 14 per cent to DM144m. Mr Köfler said he was confident sales this year would rise to DM1.5bn and pre-tax profits to about DM300m. Rewe, the German retailer, holds a 40 per cent stake in Pro 7, while Mr Thomas Kirch, son of Mr Leo Kirch, the Munich-based media mogul, holds 24.5 per cent.

Rabobank Nederland, the Dutch co-operative bank, has bought a 51 per cent stake in Agrifood Acceptance Company of the US for FF 50m (\$30m). ACC is the finance company of agricultural machinery maker Agco of Atlanta, Georgia.

# Euro Disney net income falls 14% in third quarter

By Andrew Jack

Euro Disney, the operator of the Paris-based theme park, yesterday reported a 14 per cent drop in third-quarter net income, from FF177m to FF147m (\$29.22m), after lower exceptional profits.

Operating revenues, however, were up 4.5 per cent to FF1.4bn.

The group stressed that this increase came in spite of "a difficult environment" for tourism in Paris, reflecting the continued low levels of economic activity.

The park took measures, including later opening hours, to help boost attendance. The figures are significant because Euro Disney has placed particular emphasis in attracting additional customers during its first three quarters.

The coming fourth quarter to September already accounts for an average of 40 per cent of annual visitors. Income before exceptional items rose 50 per cent against the same period last year, from FF91m to FF146m.

BBV, the retail bank which owns 7 per cent of Repsol, will have three seats on the new board and its chairman, Mr Emilio Ybarra, becomes deputy chairman.

Total additional charges for the current financial year will be more than FF150m, and during the first half they amounted to FF74m.

It added that another reason for the increase in income was lower costs, since all of the marketing and launch costs of Space Mountain, its new ride which was opened in June last year, had already been written off.

The fall in net income came in part because in the third quarter of 1995 there was an exceptional gain of FF78m. This was mainly related to the repurchase of some of the group's convertible bonds.

# Handelsblatt takes TV news channel stake

By Judy Dempsey

Handelsblatt, the German publishing group specialising in financial and economic publications, yesterday acquired a 25 per cent stake in Germany's n-tv, a 24-hour news channel.

The move was prompted by the merger of US groups Turner Broadcasting System, owner of the Cable News Network, and Time Warner. Until yesterday's deal, CNN and

Time Warner held stakes of 33.08 per cent and 30.80 per cent, respectively, in n-tv. Under German law, owners of TV networks are restricted to a 50 per cent stake.

CNN, Time Warner and other shareholders, which include Nixdorf, the German electronics group, will reduce their stakes to make way for Handelsblatt, which publishes Germany's leading business newspaper. It will join n-tv by

way of a capital increase. The figure was not disclosed.

The move by Handelsblatt is likely to sharpen the profile of n-tv, which has been struggling to gain market share and a larger slice of advertising revenue since it was founded in Berlin in 1992.

N-tv said it had an average daily audience of 2.7m and advertising revenue of DM116m (\$78m) last year. It has been making losses but

expects to break even by the end of 1997.

Handelsblatt, which has been co-operating with n-tv for the past two years, intends to introduce a morning business programme which will be launched in the autumn and will focus on Asian financial markets, and later during the day on European markets. It will also create two weekly magazine programmes on business, finance and investments.

# Repsol shuffles board ahead of privatisation

By Tom Burns in Madrid

Mr Alfonso Cortina, who was last month appointed chairman of Repsol, Spain's leading energy conglomerate, yesterday reshuffled the group's board in preparation for its full privatisation early next year.

The changes on the 15-member board - reduced from 16 - reflect the equity positions built up over the past year in Repsol by Banco Bilbao Vizcaya and La Caixa, two of Spain's main financial institutions, which have become core shareholders of the oil, gas and chemicals group.

BBV, the retail bank which owns 7 per cent of Repsol, will have three seats on the new board and its chairman, Mr Emilio Ybarra, becomes deputy chairman.

La Caixa, the Barcelona-based savings bank which has acquired 3 per cent of Repsol, will have two representatives on the board, one of whom will be Mr José Vilasoran, its chairman.

The reshuffle reduces the number of government representatives on Repsol's board from five to three. This follows the cut in the state ownership of Repsol from 21 per cent to 10 per cent last February in an international share placement that raised Pta140bn (\$1.1bn).

Senior Repsol executives have also left the board under guidelines drawn up by Mr Cortina that clearly differentiate the group's share ownership from its management. As chairman and chief executive, Mr Cortina, a wealthy businessman who is a leading BBV shareholder and who ran Port-

land Valdeiribas, the cement group, will be the sole link between the board and Repsol's management.

Mr Cortina told the new board the state was likely to withdraw completely from Repsol, either through an IPO or through a block trade disposal, following completion next February of the 12-month "lock-out" period that was built into this year's placement.

The full privatisation schedule will not, however, deter Mr Cortina from continuing wide-ranging business strategies that were initiated by Mr Oscar Fajul, his predecessor. The most important of these are Repsol's expansion into Latin America and the development of its co-generation potential to supply electricity. Repsol significantly increased its downstream busi-

ness in Latin America last month when it bought a controlling stake in Astra, Argentina's fifth-biggest energy group, and headed a consortium that acquired La Pampa, Peru's largest refinery. Repsol also has oil drilling interests in Colombia, Mexico and Venezuela.

In its domestic market, Repsol is awaiting regulatory changes in the electricity sector before implementing ambitious co-generation plans that will harness the five domestic refineries that it operates to the national electricity grid. Mr Cortina is also studying a Pta130bn joint venture with Iberdrola, Spain's second-ranked electricity generator, to produce gas from the residues of the refining process under a system called IGCC (integrated gas combined cycle).

# Euromerchant acquires 95% of Interbank

By Karin Hope in Athens

Euromerchant Bank, the private bank controlled by the Letsis shipping group, has acquired a 95 per cent stake in another private Greek bank owned by Banque Worms of France, in a move expected to sharpen competition in Greek banking.

The acquisition of Interbank creates Greece's third-largest private banking group, with combined equity capital of Dr41bn (\$174m) and assets of Dr630bn. Banque Worms, part of UAP, the recently privatised

French insurance group, will retain a 5 per cent stake.

Euromerchant executives would not put a price on the deal, announced yesterday, but local analysts said Letsis paid about Dr17bn for Interbank. Both banks were set up in the early 1990s when Greece's central bank handed out half-a-dozen new banking licences. Its aim was to modernise Greek banking by loosening the state's grip on the sector.

Euromerchant, one of seven private banks around Europe controlled by Letsis, is the only Greek bank to make a bid

for Interbank. It stepped in after negotiations fell through between Banque Worms and HSBC, which planned to use Midland Bank's branch in Athens as a vehicle for the acquisition. ING of the Netherlands and Banque Nationale de Paris had also shown interest in buying Interbank.

Mr George Goniticas, Euromerchant chairman, said yesterday: "The two banks make a good fit; we have a strong presence in the corporate and investment banking market, while Interbank has concentrated on developing consumer

lending and other retail products and developing a branch network."

He said the two banks would continue to operate separately for the moment but would co-ordinate lending and other activities. Euromerchant's customers include many leading Greek companies, while Interbank lends mainly to small and medium-sized businesses.

The banks are expected to merge soon in order to carry out plans to double their joint network to 80 branches over the next five years, and expand in Albania and Bulgaria.

# Gas pipeline from Algeria on schedule

By Peter Wise in Lisbon

A \$500bn (\$3.27bn) project to supply Portugal and Spain with natural gas through a pipeline from Algeria is to be completed this year on schedule and under budget.

Transgás, the Portuguese natural gas operator due to be privatised in 1997, says that the 2,600km high-pressure pipeline will be completed in November. Natural gas is to be marketed in Portugal from January.

Mr José Manuel Elias da Costa, Transgás president, said yesterday: "The two banks make a good fit; we have a strong presence in the corporate and investment banking market, while Interbank has concentrated on developing consumer

"We believe we have pulled off a remarkable achievement," he said. The pipeline runs from Hassi R'Mel in the Algerian desert through Morocco, across the Straits of Gibraltar to Córdoba in southern Spain and along the coast of Portugal.

An extension linking northern Portugal to northern Spain is to be completed by June 1997.

Portugal is the only European Union country not yet consuming natural gas. Spain receives supplies through a pipeline from France.

Portugal's socialist government plans to begin privatising Transgás in the second half of 1997, after the natural gas network is fully operational and firm sales trends can be established.

Portuguese officials favour the acquisition of a holding in Transgás by Sonatrach, Algeria's state-owned oil and gas company. Transgás is to purchase 2.5bn cu metres of natural gas a year from Sonatrach for 25 years under a take-or-pay agreement.

Private shareholders in Petrol, Portugal's state-controlled oil company, have also suggested plans to buy up to 30 per cent of Transgás, whose sales of natural gas are expected to reduce Petrol's earnings from propane gas and fuel oil.

Mr Elias da Costa estimates natural gas will account between 8 per cent and 10 per cent of Portugal's primary energy consumption by 2000, reducing the country's heavy dependence on imported oil.

He expects annual consumption of national gas to reach 2.75bn-3bn cu metres in that year. The pipeline has a capacity of 4.5bn cu metres a year without additional investment.

The biggest consumer in Portugal will be Turbarga, a consortium led by FowesGen, the UK electricity company, which is building a 990MW natural-gas fired power plant near Oporto.

**BNP**  
Emerging Markets Group

July 1996

HSBC Markets  
The Arab Investment S.A.A (TAIC)  
Nikko Europe plc  
Dillon, Green & Co. Advisors

**RenaissanceRe Holdings Ltd.**  
is pleased to announce the July 24, 1996 listing  
of its common shares on  
The New York Stock Exchange

Stock Trading Symbol: RNR

RenaissanceRe Holdings Ltd., through its subsidiaries Renaissance Reinsurance Ltd. and Glencoe Insurance Ltd., is a global provider of reinsurance and insurance. The Company's principal product is property catastrophe reinsurance.

**RENAISSANCE RE HOLDINGS LTD.**  
RENAISSANCE HOUSE, P.O. BOX HM2527  
HAMILTON HMGX, BERMUDA  
TELEPHONE 441.295.4513

COMPANIES AND FINANCE: UK

SB at top end of forecasts

By Daniel Green

SmithKline Beecham, the UK's second biggest pharmaceuticals company, yesterday confirmed its place as one of the fastest growing of the world's big drug companies. It reported pre-tax profits for the second quarter 14 per cent higher at £242m (£53.5m) - against £200m in the second quarter of 1995 - at the upper end of analysts' expectations. Several analysts, including those at Lehman Brothers and Societe Generale Strauss Turbull, increased forecasts for full year pre-tax profits to about £1.55bn. Sales rose 17 per cent to £1.92bn (£1.64bn), while earnings per share rose 12 per cent to 8.3p (7.4p). The quarterly dividend is increased from 3.2p to 4p and the shares rose 8 1/2p to 65 1/2p.

an antibiotic, increased 17 per cent to £201m. This offset a poor performance on the first quarter leaving sales for the first half unchanged at £417m. The company's fastest growing product is anti-depressant Seraxat, called Paxil in the US. Sales rose 39 per cent in the second quarter to £171m. Sales for the first half were up 35 per cent at £335m. Mr Leschly said sales were being boosted by the approval of Seraxat as a treatment for panic as well as depression. The company's new products, those less than five years old, now account for 32 per cent of total sales. This figure was higher than for most pharmaceuticals companies, he said. He said falls in sales of Amoxil, another antibiotic, and

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF BONDHOLDERS. IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL ADVISERS IMMEDIATELY.



LLOYDS TSB GROUP plc

(Incorporated in Scotland with limited liability under the Companies Act with registered number 95,000) (formerly called TSB Group plc)

Notice of a meeting of the holders of £100,000,000 12 per cent Subordinated Bonds 2011 of LLOYDS TSB GROUP plc

Notice is hereby given that a meeting of the holders of the above Bonds (the "Bondholders") convened by Lloyds TSB Group plc (the "Issuer") will be held at Citicorp 1, Level 14, 100 Broad Street, New York, New York 10046 on Thursday, 15 August 1996 at 11.15 am (London time) for the purpose of considering and voting on the proposals to which this Notice relates.

PREFERRED EXTRAORDINARY RESOLUTION

"That the Meeting of the holders of the £100,000,000 12 per cent Subordinated Bonds 2011 (the "Bonds") of Lloyds TSB Group plc (the "Issuer") convened by the Trust Deed dated 20 July 1995 (the "Trust Deed") made between the Issuer and the Law Debenture Trust Corporation plc (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby approves the proposals to which this Notice relates and the Issuer shall be bound to give effect to the same in accordance with the provisions of the Trust Deed and the Law Debenture Trust Corporation plc as trustee for the holders of the Bonds.

- (1) to amend the definition of Clause 6(1) of the Trust Deed so that it shall read: "6(1) The Issuer shall, at any time, reduce or increase the amount of the Bonds outstanding from time to time by issuing new Bonds in substitution for the Bonds then outstanding, provided that the new Bonds shall be issued in accordance with the provisions of the Trust Deed and the Law Debenture Trust Corporation plc as trustee for the holders of the Bonds.";

ALTERNATIVE EXTRAORDINARY RESOLUTION

"That the Meeting of the holders of the £100,000,000 12 per cent Subordinated Bonds 2011 (the "Bonds") of Lloyds TSB Group plc (the "Issuer") convened by the Trust Deed dated 20 July 1995 (the "Trust Deed") made between the Issuer and the Law Debenture Trust Corporation plc (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby approves the proposals to which this Notice relates and the Issuer shall be bound to give effect to the same in accordance with the provisions of the Trust Deed and the Law Debenture Trust Corporation plc as trustee for the holders of the Bonds.

- (1) to amend the definition of Clause 6(1) of the Trust Deed so that it shall read: "6(1) The Issuer shall, at any time, reduce or increase the amount of the Bonds outstanding from time to time by issuing new Bonds in substitution for the Bonds then outstanding, provided that the new Bonds shall be issued in accordance with the provisions of the Trust Deed and the Law Debenture Trust Corporation plc as trustee for the holders of the Bonds.";

General The Issuer has prepared an explanatory letter (the "Explanatory Letter") dated 23 July 1996 addressed to the Bondholders which is referred to in this Notice. The Explanatory Letter sets out in detail the proposals to which this Notice relates and the reasons for the Issuer's proposals. The Explanatory Letter is available to the Bondholders free of charge and may be obtained from the Issuer or the Trustee. The Explanatory Letter is also available to the Bondholders on the Issuer's website at www.lloyds-tsb.com.

Questions and Voting at Meetings of Bondholders A Bondholder wishing to attend and vote at a meeting of Bondholders must produce at the meeting either the Bonds, or a valid voting certificate or valid voting certificate issued by a Paying Agent as his specified title set out below. In respect of which he wishes to vote.

- 1. A Bondholder not wishing to attend and vote at the meeting in person may either deliver his Bonds or valid voting certificate(s) to the person whom he wishes to attend and vote at the meeting in accordance with his instructions. Bonds may be deposited with any Paying Agent or the satisfaction of such Paying Agent held in his order or order to be controlled by Gold Bank, Société Générale or Citicorp Trust Company of New York, Toronto office, as operator of the Euroclear System or any other person approved by such Paying Agent, for the purpose of obtaining valid voting certificates or, until the time being 48 hours before the time appointed for holding the meeting, if applicable, any approved such person, but not thereafter, giving valid instructions in respect of the relevant meeting. Bonds so deposited will not be released until the first of the following: (a) the conclusion of the meeting or any adjourned meeting; (b) a valid voting certificate has been issued, the surrender of the voting certificate to the Paying Agent who issued the same; or (c) the receipt of the Bonds by the Issuer in respect of each such deposited Bond which is to be released or the Bonds are covered by the necessary endorsement to the block voting certificate.

Issuer Lloyds TSB Group plc Registered office: Henry Dundas House 120 George Street Edinburgh EH2 4LH Principal Paying Agent S. G. Warburg & Co. Ltd. 2 Finsbury Avenue London EC2M 2PP Paying Agents Kredietbank S.A. Luxembourgcoise 43 Boulevard Royal L2955 Luxembourg Swiss Bank Corporation Paradeplatz 6 CH-8010 Zurich

Dated: 24 July 1996

Issued by Lloyds TSB Group plc

Aids drug trial result boosts Glaxo

Glaxo Wellcome, the UK's largest pharmaceuticals company, has cut short a clinical trial of the new AIDS drug Efavir so that all those on the trial could receive the drug, writes Daniel Green. The results of the trial, which was due to end in March 1997, underline Efavir's importance among the latest treatments for HIV infection that appear to prevent the progress of AIDS in most people. Glaxo shares rose 2 1/2p to 911 1/2p. The trial was halted on ethical reasons on the recommendation of an independent panel, including doctors and statisticians. Interim results showed that 94 per cent fewer patients infected with HIV who were treated with Efavir - also known as

STC - went on to contract AIDS or die compared with those offered a placebo. The study was launched in March 1995 to try to test whether the drug prevented disease or death. The US Food and Drug Administration approved it after tests showed virus levels fell and patients' immune systems were boosted. The test results provide indirect backing for the latest generation of combination drugs therapies, which often include Efavir as one of their components. These combinations have an even more powerful effect on surrogate markers than Efavir but have not yet been in large scale tests. The Glaxo trial involved 1,892 HIV-positive patients in Canada, Australia, Europe, and South Africa. Patients taking one of three therapies: Retrovir (also a Glaxo drug), Retrovir plus Zidovudine (from Swiss company Roche) or Retrovir plus Zalcitabine (from Bristol-Myers Squibb of the US) could enter the trial. In addition to their existing therapy, patients received a placebo, Efavir, or Efavir plus loviride (a drug in the category called non-nucleoside analogue and made by Johnson Research Foundation, part of Johnson & Johnson of the US). Efavir, which Glaxo sells under licence from Canada's Biochem Pharma, has already gained approval in many countries. Glaxo is awaiting a decision on marketing in Europe from the EC.

The power to invest overseas

Simon Holberton finds PowerGen expanding abroad after its plans to buy a rec were blocked

Mr Ed Wallis, chairman of PowerGen, Britain's second biggest generator, looked like the cat that got the cream last Tuesday as Mr Helmut Kohl, the German Chancellor, ascended the dais to open the Schkopau power station south-west of Leipzig. Chancellor Kohl was full of praise for the foreigners who had invested in the area - once the heartland of the German chemicals industry - after reunification in 1989. PowerGen, along with NRG Energy of the US, owns nearly half of the 900MW power station. The station, which also produces steam for an adjacent chemicals works, is fuelled by brown coal (lignite) from the nearby Mibrag mines in which PowerGen has a 33 per cent interest.



Ed Wallis: looking overseas

Table with 5 columns: Committed projects, MW, Project total (£m), PowerGen equity (£m)%, PowerGen owned %

Total investment at completion Investment Source PowerGen

and the US following. India and Indonesia "both have large populations, both are liberalising and opening up, both have big power needs, business this year compared with last year," says Mr Wallis. "But we need another three years before earnings really take off. Then we will see a significant ratcheting of returns." Last year overseas business contributed only £10m to pre-tax profits. He says PowerGen looks for an after-tax return, in real terms, of 10 per cent on investment, and was conservative in its decisions: "We factor in country risk: Germany is lower than Indonesia. We look for returns of around 10 to 11 per cent for hard-currency safer investments, and for higher-risk investments returns are closer to 20 per cent." For Mr Fisher Hughes, managing director of PowerGen International, it is matter of selection and focus. PowerGen's focus is on India, Indonesia and Thailand, with Europe

producers. But financial returns take longer to accrue than for investment in the UK. "We will double profits from overseas business this year compared with last year," says Mr Wallis. "But we need another three years before earnings really take off. Then we will see a significant ratcheting of returns." Last year overseas business contributed only £10m to pre-tax profits. He says PowerGen looks for an after-tax return, in real terms, of 10 per cent on investment, and was conservative in its decisions: "We factor in country risk: Germany is lower than Indonesia. We look for returns of around 10 to 11 per cent for hard-currency safer investments, and for higher-risk investments returns are closer to 20 per cent." For Mr Fisher Hughes, managing director of PowerGen International, it is matter of selection and focus. PowerGen's focus is on India, Indonesia and Thailand, with Europe

TECHNIP: FIRST HALF 1996 Increase in turnover and unaudited profit

During the first half of 1996, TECHNIP achieved consolidated turnover of 4.8 billion French francs, an increase of 6.4% over the 4.51 billion French francs turnover of the same period of 1995.

Table with 3 columns: Consolidated turnover (in millions of French francs), 1996, 1995

The uncompleted part of Group contracts in progress (backlog) at 1 July 1996 amounted to 12.5 billion French francs, a modest reduction compared to the position at 30 June 1995 (13.2 billion French francs). This represents markedly more than one year's turnover and does not include major contracts obtained but not yet effective.

PROFIT (unaudited) The accounts at 30 June 1996, which are currently being finalised and audited, will be approved by the Board of Directors in mid-September. The unaudited profit of 247 million French francs represents an increase of 16.2% over the profit of the same period in 1995.

EXCEPTIONAL ITEMS A former litigation procedure is about to reach its conclusion. Based on available information, company's current activity and applied accounting standards, Management believes that TECHNIP does not face material financial exposure in respect of such litigation.



DESIGN & CONSTRUCTION OF MAJOR INDUSTRIAL PROJECTS

Table with 4 columns: Year, Revenue, Profit, Earnings per share

To Advertise Your Legal Notices Please contact Melanie Miles on Tel: +44 0171 873 3308 Fax: +44 0171 873 3064

THE MALAYSIA EQUITY FUND LIMITED Proposals to Repurchase Shares and Restructure the Fund to make it open ended made by PEREGRINE SECURITIES (U.K.) LIMITED On 23 July 1996, Peregrine Securities (U.K.) Limited despatched proposals to shareholders in The Malaysia Equity Fund Limited which in summary involve all shareholders having an initial opportunity to offer some or all of their shares to the Fund for repurchase on 1 October 1996 for a cash price equal to the net realised value of the appropriate proportion of the Fund's assets or in certain circumstances to have an in specie distribution of those assets and thereafter to restructure the Fund to make it open ended on a monthly basis commencing on 31 October 1996. These proposals require the approval of shareholders at an Extraordinary General Meeting of the Fund which has been requisitioned and is to be held on 24 September 1996. If you wish to see further details of the proposals, please contact: The Corporate Finance Department, Peregrine Securities (U.K.) Limited, 10 Aldersgate Street, London EC1A 4XX, United Kingdom. Telephone number 44 171 865 8888. This advertisement has been issued by Peregrine Securities (U.K.) Limited, a member of The Securities and Futures Authority Limited. 24 July 1996

مركزنا من الأصيل



INTERNATIONAL CAPITAL MARKETS

Gilts stable in spite of conflicting data

By Samar Iskander in London and Lisa Bransten in New York

European markets were quiet yesterday, with most bonds trading in narrow ranges and closing marginally lower.

UK gilts remained stable in spite of several releases of contrasting market-moving news. Liff's September long gilt future settled at 105.8, down 1/4.

1.81 times and the tail - the difference between the average and the lowest accepted bids - came out at only 1/4.

The apparent demand, he said, was inflated by "speculative bids" at unrealistically low prices.

The publication of a CBI survey showing the sharpest rise in manufacturing orders since July 1995 failed to shake the gilt market.

Mr Roberts said the survey's bearish effects were mitigated by the weakness of inflationary

pressures - a bullish factor. Indeed, the CBI revealed that the domestic price had fallen in the last four months.

Mr Roberts added that gilts' current weakness presented a good switching opportunity out of German bonds.

GOVERNMENT BONDS

the 10-year yield spread between the two markets could tighten by up to 10 basis points in the near future.

Italian bonds closed slightly lower after having outperformed bonds during three consecutive sessions.

Activity was quiet in advance of the afternoon auction of \$18.75bn in two-year notes.

Analysts were hoping that Mr Greenpan, in his testimony to the House of Representatives Banking Committee, would clarify the comments that he made last week.

The market rallied last week after interpreting Mr Greenpan's testimony as a signal that an interest rate increase in August was not inevitable.

The Slovak koruna yesterday joined the growing band of eastern European currencies in which eurobonds are denominated.

The private sector arm of the World Bank, raised Kcs1.5bn through a series of three-year coupon bonds.

The EBRD topped the IFC deal by 15 minutes with its own Kcs500m issue.

Eurobonds in Slovak korunas for IFC, EBRD

By Peter John

The Slovak koruna yesterday joined the growing band of eastern European currencies in which eurobonds are denominated.

Ratings review casts pall over Turkish deals

By Coroner-Middelmann

Standard & Poor's recent decision to review Turkey's foreign currency debt ratings for possible downgrade has cast a pall over a series of Turkish transactions that were expected to hit the market this summer.

A syndicated loan for Turkish Garanti Bankasi, launched only hours before S&P's announcement on Thursday evening, bore the

impact of the move - which at any rate is only a warning - could be short-lived.

In eastern Europe, meanwhile, the downward trend to margins continues.

Shin-Etsu warrants issue raises \$500m

By Peter John and Coroner-Middelmann

A sprinkling of medium-sized issues was dominated by a large offering of bonds with warrants from one of Japan's leading chemical companies yesterday.

\$160m into its plant in Scotland - and the cash raised will be used for capital investment.

The World Bank raised \$150m with a three-year issue managed by DKB International and Bankauk and Ontario Hydro raised NZ\$100m with a two-year issue managed by Toronto-Dominion.

Lead manager Nikko Europe said the issue was the biggest of its kind since Fujitsu's \$600m deal last year, and had seen demand from UK and European institutions.

"Given the tough market conditions, the response has been good," one syndicate manager said.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for Shin-Etsu Chemical Co., DKB International, etc.

Price includes commission, spread and other fees. Yield is based on current market rates. All figures are in US dollars unless otherwise stated.

INTERNATIONAL BONDS

only three producers in Europe of the silicon wafers needed for semiconductors, raised \$500m through the four-year deal.

Lead manager Nikko Europe said the issue was the biggest of its kind since Fujitsu's \$600m deal last year, and had seen demand from UK and European institutions.

in the UK, Lloyds TSB is carrying out a capital restructuring involving the early redemption of two outstanding issues.

The holding company wishes to eliminate these covenants to allow other members of the group, notably Lloyds Bank, to issue subordinated debt directly rather than relying on inter-company loans.

Lloyds Bank is likely to issue the new bonds soon after the meeting, arranger Lehman Brothers said.

Standard & Poor's, the US credit rating agency, yesterday raised its credit rating on British Petroleum from AA- to AA.

Lloyds TSB plans to repurchase \$100m of 10% per cent loan stock due 2008 and \$100m of 12 per cent bonds due 2011.

Both yield around 7 1/2 basis points over gilts but are to be redeemed at a spread of 55 basis points.

Lloyds Bank is likely to issue the new bonds soon after the meeting, arranger Lehman Brothers said.

Standard & Poor's, the US credit rating agency, yesterday raised its credit rating on British Petroleum from AA- to AA.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Rate, Price, Days' Change, Yield, Week Ago, Month Ago. Includes Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, US Treasuries.

BUND FUTURES OPTIONS (LFFE) DMS200,000 points of 100%

Table with columns: Strike, Price, Call, Put, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Includes data for various strike prices.

NOTIONAL ITALIAN GOVT. BOND (BTF) FUTURES

Table with columns: Strike, Price, Call, Put, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Includes data for various strike prices.

NOTIONAL SPANISH BOND FUTURES (METF)

Table with columns: Strike, Price, Call, Put, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Includes data for various strike prices.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Jul 23, Jul 22, Jul 21, Jul 20, Jul 19, Jul 18, Jul 17, Jul 16, Jul 15, Jul 14, Jul 13, Jul 12, Jul 11, Jul 10, Jul 9, Jul 8, Jul 7, Jul 6, Jul 5, Jul 4, Jul 3, Jul 2, Jul 1, Jun 30, Jun 29, Jun 28, Jun 27, Jun 26, Jun 25, Jun 24, Jun 23, Jun 22, Jun 21, Jun 20, Jun 19, Jun 18, Jun 17, Jun 16, Jun 15, Jun 14, Jun 13, Jun 12, Jun 11, Jun 10, Jun 9, Jun 8, Jun 7, Jun 6, Jun 5, Jun 4, Jun 3, Jun 2, Jun 1, May 31, May 30, May 29, May 28, May 27, May 26, May 25, May 24, May 23, May 22, May 21, May 20, May 19, May 18, May 17, May 16, May 15, May 14, May 13, May 12, May 11, May 10, May 9, May 8, May 7, May 6, May 5, May 4, May 3, May 2, May 1, Apr 30, Apr 29, Apr 28, Apr 27, Apr 26, Apr 25, Apr 24, Apr 23, Apr 22, Apr 21, Apr 20, Apr 19, Apr 18, Apr 17, Apr 16, Apr 15, Apr 14, Apr 13, Apr 12, Apr 11, Apr 10, Apr 9, Apr 8, Apr 7, Apr 6, Apr 5, Apr 4, Apr 3, Apr 2, Apr 1, Mar 31, Mar 30, Mar 29, Mar 28, Mar 27, Mar 26, Mar 25, Mar 24, Mar 23, Mar 22, Mar 21, Mar 20, 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CURRENCIES AND MONEY

MARKETS REPORT

Dollar rallies ahead of Greenspan testimony

By Philip Gawth

The dollar yesterday rallied on the foreign exchanges as expectations of a near term rise in Japanese interest rates receded.

The dollar actually fell below ¥107 ahead of the release of the Bank of Japan's quarterly economic bulletin, but the report itself forced an unwinding of short dollar positions, allowing the currency to rally to a London close of ¥107.955, from ¥107.70 on Monday.

The dollar also rallied against the D-Mark, finishing at DM1.487, after earlier touching an intra-day low of DM1.48.

In Europe the main development came after hours when the Bank of Italy finally delivered a much anticipated cut in interest rates. The discount rate was cut to 8.25 per cent, having been fixed at nine per cent since May last year.

The lira rallied on the D-Mark, ending at L1.014 against the D-Mark.

after earlier finishing at L1.016 in London.

The firmer dollar helped sterling, with the trade-weighted index rising to finish at 84.3 after starting at 84.5. It closed at DM2.9104 and £150.00, from DM2.9035 and £150.00.

Strengthening was also helped by a strong CBI industrial trends survey, and a successful gilts auction. The South African rand showed further signs of weakness, falling to a close of R4.4310 against the dollar from R4.3918. The Reserve Bank confirmed that it supported the rand. Selling was triggered by news showing the extent to which the Reserve Bank's forward dollar exposure had grown since the slide in the currency started in February.

Investor sentiment was also aggravated by aggressive criticism of the government's economic policy from the country's main trade union group.

The cut in Italian rates was seen as being positive for the lira because of the likelihood of a near term rise in Japanese interest rates.

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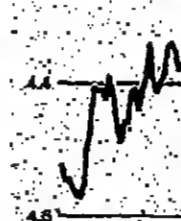
Investor sentiment was also aggravated by aggressive criticism of the government's economic policy from the country's main trade union group.

The cut in Italian rates was seen as being positive for the lira because of the likelihood of a near term rise in Japanese interest rates.

Swedish krona

Against the D-Mark (Skr per DM)

4.5



Source: FT Data

them are hiding behind the smokescreen of ERM entry."

The tone for the dollar was set by the BOJ report. Analysts expressed some surprise at the extent of the speculative short dollar positions in the inter-bank market. Mr Ray Atwill, analyst at C.A.S.T. in London, said part of the market had gone into the report obviously expecting it to serve as final confirmation that Japanese rates would rise. In fact it "caused a little more self-doubt to creep into the market."

Mr Megyesi said the market's position had been surprising given that the BOJ's money market operations in recent days and weeks appeared, if anything, aimed at dampening speculation about higher rates.

The dollar's rally later gained impetus from comments by Mr Robert Rubin, the US treasury secretary, reiterating the Administration's commitment to a stronger dol-

lar. Although there was nothing novel in what he said, it provided sufficient emphasis ahead of congressional testimony by Mr Alan Greenspan, the Fed chairman, to boost the dollar.

Some observers were concerned that Mr Greenspan might strike a hawkish note in the second round of his biennial Humphrey Hawkins testimony. They reason that he might want to offset the market's surprisingly bullish interpretation of his testimony last week. Dollar testimony was also helped by comments from senior Bundesbank officials which appeared to provide some support to those who expect a trimming of the German repo rate later this week.

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WORLD INTEREST RATES

MONEY RATES

Table of money rates for various countries including Belgium, France, Germany, Italy, Japan, Netherlands, Switzerland, UK, and US.

LIBOR FT London

Table of LIBOR FT London rates for various currencies and terms.

LIBOR interbank fixing rates are offered rates for 100m quoted to the market by four reference banks at 11am each working day. The banks are Barclays Bank, Citibank, Deutsche Bank and Paribas.

EURO CURRENCY INTEREST RATES

Table of Euro currency interest rates for various currencies and terms.

Short term rates are quoted for the US Dollar and Yen, against two day's notice.

LIBOR interbank fixing rates are offered rates for 100m quoted to the market by four reference banks at 11am each working day. The banks are Barclays Bank, Citibank, Deutsche Bank and Paribas.

POUND SPOT FORWARD AGAINST THE POUND

Table of pound spot and forward rates for various countries and currencies.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table of dollar spot and forward rates for various countries and currencies.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table of exchange cross rates for various currencies.

D-MARK FUTURES (DM) DM 125,000 per DM

Table of D-Mark futures data.

SWISS FRANC FUTURES (SFR) SFR 125,000 per SFR

Table of Swiss Franc futures data.

UK INTEREST RATES

LONDON MONEY RATES

Table of London money rates.

UK clearing bank base lending rate 6% per cent from June 6, 1995

Overseas Tax Dept (100000)

Table of overseas tax department rates.

THREE MONTH STERLING FUTURES (LFFE) £500,000 points of 100%

Table of three month sterling futures data.

SHORT STERLING OPTIONS (LFFE) £500,000 points of 100%

Table of short sterling options data.

BASE LENDING RATES

Table of base lending rates for various banks.

NOTICE OF EARLY REDEMPTION

To the Holders of TURKIYE CUMHURİYETİ (THE REPUBLIC OF TURKEY) (the "Republic")

US\$200,000,000 10% per cent. Bonds due 1999 (the "Notes")

NOTICE IS HEREBY GIVEN that pursuant to Article 6(b) of the Terms and Conditions of the Bonds, holders may elect to have their Bonds redeemed by the Republic on September 16, 1996 (the "Optional Redemption Date") at their principal amount outstanding together with accrued interest to the Optional Redemption Date.

To exercise this option holders must deposit such Bonds together with all interest coupons accruing thereon on or prior to August 16, 1996, at the specified office of any Paying Agent, or the Registrar, any Transfer Agent in the case of Registered Bonds, together with duly completed redemption notice in the form obtainable from any of the agents specified below.

Fiscal Agent: Morgan Guaranty Trust Company of New York, 60 Victoria Embankment, London EC4Y 0DP

Registrar: First Trust in New York N.A., 100 Wall Street, New York, NY 10005

Payable Agent: Banque Paribas Luxembourg, 10A Boulevard Royal, L-2093 Luxembourg

Payable Agent: Morgan Guaranty Trust Company, Avenue des Arts 35, B-1049 Brussels

Payable Agent: Swiss Bank Corporation, 6 Zurichplatz, Zurich

TURKIYE CUMHURİYETİ By: Morgan Guaranty Trust Company of New York as Fiscal Agent. Dated: July 24, 1996

NOTICE OF EARLY REDEMPTION Department of Posts and Telecommunications Pretoria, Republic of South Africa

ECU 40,000,000 Retractable Bonds due October 4, 1999

Notice is hereby given to the holders of the Notes (the "Notes") that, pursuant to paragraph 10 of the Terms and Conditions of the Notes, the Issuer will prepay all of the Notes remaining outstanding at their principal amount, on the next Interest Payment Date, October 4, 1996.

Interest will cease to accrue on the Notes as from October 4, 1996.

APPOINTMENTS ADVERTISING appears in the UK edition every Wednesday & Thursday and in the international edition every Friday.

For further information please call: Andrew Stammers on +44 (0)21 873 4054

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ALLIANCE LEICESTER Alliance & Leicester Building Society £150,000,000 Floating Rate Notes due 1996

Notice is hereby given that for the interest period from 22 July 1996 to 22 October 1996 the notes will carry an interest rate of 5.375% per annum. Interest payable on 22 October 1996 will amount to £149.25 per £100,000 note and £1,492.25 per £100,000 note.

Agent: Morgan Guaranty Trust Company

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COMMODITIES AND AGRICULTURE

JCI raises the stakes on round-the-clock mining

By Mark Ashurst in Johannesburg

JCI the mining house, yesterday raised the stakes in talks aimed at introducing round-the-clock operations at South African gold mines by announcing plans to invest R505m (\$186.50m) over eight years at its Randfontein Estates gold mine.

The expansion would extend the life of the mine by 10-15 years to 2024, but is subject to the introduction of full calendar working and flexible work practices to enable mining seven days a week and on public holidays.

The group wants to mine an estimated 18.7m ton ore body on the Doornkop South Reef, but it warned the investment could be stalled if gold output or bullion prices fell. The expansion was approved after talks with unions over conditions, but was "designed so that work can be stopped without penalties being incurred

while the project is held in abeyance". JCI said production losses had been "a critical concern in the June quarter". Measures to improve productivity, including full calendar working, had "proved difficult to negotiate" but were being reviewed at national level by an industry-wide forum.

The Doornkop South ore body was forecast to produce an average 10-situ grade of 10.5g/ton if existing shafts were deepened to 2km. An estimated R450m of the initial expansion would be funded from retaining earnings and profits after dividends.

The group posted a 22 per cent rise in net income, from R59.7m to R72.7m, for the final quarter to June as the higher rand gold price offset a fall in production. Total gold output fell 1.4 per cent to 106,066kg (107.7kg), reflecting an overall decline in yields of 0.2 per cent.

Profits were boosted by a strong performance at H.J. Joel, which posted a net

income from gold of R12.4m, compared to losses of R179.3m in the previous quarter. The mine netted a further R3.3m from interest on the proceeds of a rights issue earlier this year. No dividend was declared for the year.

Gold output at Randfontein fell for the third successive quarter to 51,042kg (\$224kg), but this was comfortably offset by lower working costs and a 6.7 per cent increase in gold revenue. After tax profit increased 93 per cent to R25.1m (R12.7m). The final dividend was 75 cents, bringing the total for the year to 130 cents.

JCI said an underground fire at Western Areas had cost "up to 200kg" in lost production, which fell 6.4 per cent to 42,632kg (455.6kg). The average price received increased 5.3 per cent, but a higher tax bill and interest costs dented after-tax profit, which fell 20 per cent to R44.8m. The final dividend was 60 cents a share; the dividend for the year was 100 cents.

Cuban sugar's foreign sweetener

European finance lifts an industry starved of capital for four years

By Pascal Fletcher in Havana

Cuba, encouraged by an improved 1995/96 sugar harvest, which came close to the official target of 4.5m tonnes, is counting on renewed foreign financing to help lift its sugar output even higher next year - in spite of the threat posed by hostile US legislation that is aimed at securing the financing it needs to invest in the island.

Financing of Cuban sugar-growing provinces by mostly European banks and companies was one of the novelties of Cuba's recently completed harvest, which produced 4,445,000 tonnes of sugar - 55,000 tonnes short of the official target.

The injection of foreign funds into the depressed Cuban sugar sector, which had been starved of capital, spare parts and fertilisers for four years, appears to have played a significant role in lifting the 1995/96 crop well above the disastrous 1994/95 harvest which produced 3.3m tonnes.

Cuban officials are hailing the latest harvest as a sign that the island's sugar industry is finally emerging from the period of decline triggered by the collapse of Cuba's trade and aid ties with the former Soviet bloc.

"It provides a base on which to grow further", Mr Carlos Lage, the Cuban vice-president, said in an interview. He said it was too early to give a precise estimate of the 1997 harvest but he was confident the trend would continue to be upwards.

Sugar industry sources said they understood the government was looking to lift production to around 5.3m tonnes this coming season. Mr Lage saw potential production in the future reaching up to 6m tonnes and even 7m tonnes, depending on world market and price factors.

However, the introduction in March of a US law that seeks to tighten the US embargo on



Raising cane: Taking in the sugar harvest near Holguin in Cuba

Cuba by deterring foreign investment has raised some questions about just how easily Cuba will now be able to secure the financing it needs to keep on funding the recovery in sugar, the traditional mainstay of the economy.

The Helms-Burton Law threatens US sanctions against foreign firms judged to be "trafficking" in expropriated assets in Cuba claimed by US citizens, including former Cuban nationals. Sugar mills are among such assets.

The Dutch banking group, ING, apparently trying to avoid the possible effects of the law, announced early in July it would not renew \$80m in loans directly linked to financing sugar production in the Cuban provinces of Havana and Matanzas.

Heading off suggestions that ING's actions might herald a stampede of foreign withdrawals from the Cuban sugar sector, Mr Lage said the Dutch bank acted "by mutual agreement" with the Cuban govern-

ment to reorganise its operations in Cuba. "They have withdrawn from territorial financing but are using different means of operating". This explanation appears to leave open the possibility that credits extended or organised by ING could still benefit the Cuban sugar sector, without being tied to specific provinces.

Some other foreign banks and companies involved in sugar financing were also taking protective measures to reorganise their operations in Cuba, Mr Lage said.

British industry sources said Sugar trader E.D. & F. Man Sugar, which, like ING, was prominent in financing specific provinces in the 1995/96 harvest, was one of these.

"Territorial financing", targeting specific provinces, concentrated an estimated \$100m in funds for the recently-ended harvest.

Additional loans outside this scheme had brought the total

financing for the 1995/96 sugar campaign to \$900m, according to Cuban officials. Mr Lage said the government had so far managed to increase the amount of financing contracted for the 1996/1997 harvest. "I think that we will have perhaps around 10 per cent more", he added.

But the Helms-Burton Law had not helped the timing or flow of the pre-harvest financing, which helps to pay for essential inputs like fertilisers. "Finance that should have arrived at a certain time was postponed, some has still not arrived and some is now starting under a new form of operation", Mr Lage said.

This complicated an already tense preparation period for the next harvest. Sugar workers across the island were battling to make up delays in key tasks such as distributing fertiliser, repairing mills, weeding growing canefields and planting new cane.

In June, Cuban exiles who are former owners of nationalised sugar mills and plantations, grouped in the Miami-based Asocion Nacional de Hacendados de Cuba, asked the US government to investigate 10 foreign banks and companies as possible "traffickers" in the Cuban sugar sector.

Besides ING and Man, the firms named included the Mexican state foreign trade bank Bancomex, Spain's Banco Bilbao Vizcaya and Banco Sabadell, the Lebanese Fransbank, Sweden of France and the Anglo-Dutch Group, Vitrol. Some of these are known to have been involved in the financing of the 1995/96 harvest.

But at least two of the companies named, Tate and Lyle and Belize Holdings of Britain, are not believed to have any current direct operations on the island, although they have investigated possible projects.

It is still not clear what action, if any, the US authorities intend to take against firms involved in the Cuban sugar sector.

Computer rebirth of the kiwifruit

By Terry Hall in Wellington

Overseas customers seem to be making the most of their last chance to sample traditionally branded New Zealand kiwifruit - next season it will bear a new trademark, Zespri.

This computer-generated name is said to suggest such things as vitality in the minds of consumers. Kiwifruit growers have shown a highly favourable response to the name and to related trademarks which are undergoing various copyright processes round the world.

This is necessary because kiwifruit - which, in the 1970s, replaced the term Chinese gooseberry used by generations of New Zealanders - was not made a trademark and other countries that grew the fruit rode on New Zealand's costly marketing efforts to establish the fruit on world

markets. Mr Robn Mills, the new chief executive of the Kiwifruit Marketing Board, said that, a third of the way through the season, international sales were going well in all markets and were well ahead of the same time last year.

The board was optimistic the year would end with higher sales in all markets. "But it is going to be a tough ride to meet last year's returns, given the strength of the Kiwi dollar which hit an eight-year high against the US dollar this week."

Mr Mills said that even to reach last year's total sales of \$NZ506.3m (US\$352m), the board would have to sell "at least a very lean" another \$NZ246m worth of product, based on current spot rates. The biggest challenges facing the industry this year were to sustain the good growth being

seen in all markets, to keep prices at fair levels, and to cope with the strength of the New Zealand dollar.

Sales had made a good start in Europe and prices were ahead of forecast. Sales were being hit by heavy competition from fresh season's summer fruits which were flooding markets, as well as from Chile, which was selling fruit at up to 50 per cent less than New Zealand. "However sales are on target."

The Canadian market was benefitting from strong promotion. The US market was still constrained by the quota arrangements which followed the dumping problems of five years ago. In Japan, New Zealand kiwifruit's most important market, the product was facing less competition from Chile this year, and sales were ahead of budget in both volume and price.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

Table with columns for metal type (Aluminum, Copper, Zinc, Lead, Tin), price change, and price per tonne.

Precious Metals continued

GOLD COMEX (100 Troy oz \$/troy oz)

Table with columns for date, price change, and price per troy ounce.

GRAINS AND OIL SEEDS

WHEAT LCE (¢ per bush)

Table with columns for date, price change, and price per bushel.

SOFTS

COFFEE LCE (\$/cwt)

Table with columns for date, price change, and price per cwt.

MEAT AND LIVESTOCK

LIVE CATTLE CME (¢/cwt)

Table with columns for date, price change, and price per cwt.

ENERGY

CRUDE OIL NYMEX (1,000 barrels \$/barrel)

Table with columns for date, price change, and price per barrel.

CRUDE OIL (¢/barrel)

Table with columns for date, price change, and price per barrel.

HEATING OIL NYMEX (42,000 US gal, \$/cwt)

Table with columns for date, price change, and price per cwt.

WHEAT (¢/bush)

Table with columns for date, price change, and price per bushel.

WHEAT (¢/bush)

Table with columns for date, price change, and price per bushel.

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Table with columns for metal type (Gold, Silver, Platinum), price change, and price per ounce.

UNLEADED GASOLINE

NYMEX (42,000 US gal, \$/cwt)

Table with columns for date, price change, and price per cwt.

WHEAT (¢/bush)

Table with columns for date, price change, and price per bushel.

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JOTTER PAD and FT BOOKSHOP advertisement with contact information.

CROSSWORD puzzle titled 'No.9,128 Set by VIXEN' with clues and a grid.

MINER METALS

European firm from Metal Bulletin, \$ per ton in warehouse where changed.

Table with columns for metal type (Copper, Nickel, Zinc, Lead, Tin), price change, and price per ton.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CME, NYCE, CME, CBOE and IPE.

Table with columns for contract type, open interest, and volume.

INDICES

REUTERS (Base: 16/9/31=100)

Table with columns for index name, date, and value.

SPOT (Base: 17/0=100)

SPOT (Base: 17/0=100)

Table with columns for spot price, date, and value.

ACROSS and DOWN crossword clues and solutions.

Handwritten Arabic text: 'مكتبة الأصيل'



Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 473 for more details.

FT MANAGED FUNDS SERVICE

Main table containing fund names, descriptions, and prices. Includes sections for Luxembourg (REGULATED), Offshore Funds, and Insurances.

JALICO LTD



FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (444 177) 873 4378 for more details.

Main table containing fund names, prices, and performance metrics. Includes columns for Fund Name, Price, % Change, and other financial data.

WHEN THE MARKETS CLOSE, THE GARDEN BRASSERIES STILL TRADE. You can enjoy a meal at any time from 6.00am to midnight in the Garden Brasserie at any of our 18 hotels up and down the UK. Welcoming news indeed, whatever time you do business. For more information, call 0181 748 3433.

OTHER OFFSHORE FUNDS

Table listing various offshore funds with their respective prices and performance data.

FT MANAGED FUNDS NOTES: Please refer to the notes on the inside cover of this publication for more information on the funds listed in this section.



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NY TRUSTS SPLIT CAPITAL - Cont.

Table listing financial data for NY TRUSTS SPLIT CAPITAL, including columns for company names and various financial metrics.

OTHER INVESTMENT TRUSTS

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Advertisement for 'THE INNOVATION OF OUR WORKFORCE CAN BE FELT FROM THE PRODUCTION LINE TO THE LABORATORY'. Includes contact information for Mike Harvey, Operations Director at Evans Medical, and a phone number: 0800 22 0151.

AMERICANS

Table listing financial data for AMERICANS, including columns for company names and various financial metrics.

CANADIANS

Table listing financial data for CANADIANS, including columns for company names and various financial metrics.

SOUTH AFRICANS

Table listing financial data for SOUTH AFRICANS, including columns for company names and various financial metrics.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Global, a member of the Financial Times Group. Company classifications are based on those used for the FT-SE 100 Index.

WATER

Table listing financial data for WATER, including columns for company names and various financial metrics.

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FT Cityline. Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the internet at www.ft.com

LONDON STOCK EXCHANGE

MARKET REPORT

Bullish CBI survey helps Footsie recapture 3,700

By Steve Thompson, UK Stock Market Editor

A bullish report from the Confederation of British Industry, a successful gilt auction and relief that supermarket group Tesco was not about to tap the market for a £1bn rights issue drove London share prices sharply higher yesterday.

Adding to a generally better feeling in the market place was a late rally on Wall Street overnight and a positive opening performance by the Dow Jones Industrial Average at the outset yesterday.

Driven by a combination of those bullish factors, the FT-SE 100 index embarked on a strong rally early in the session, eventually recapturing the 3,700 level lost on Monday and finally settled only a fraction below the day's best levels. It ended 27.1 higher at 3,708.4.

Demand for the market's second-liners was much more restrained, despite a handful of excellent individual performances, from stocks like Mersay Docks, Carpetright, Caradon and Medeva.

Television companies ITV and Scottish TV were said to have been largely responsible for the lack of performance by the FT-SE Mid 250 index, which closed only 5.9 ahead at 4,286.9.

The television stocks were thought to have been affected by switching into BSkyB, which topped the FT-SE 100 individual performance league with a gain of almost three per cent.

Dealers in London remained cautious about the market's performance, however, pointing once again to the relatively low levels of genuine customer business in the market and the continuing nervousness surrounding the US stock market.

Wall Street opened in excellent form, building on the previous day's late rally, which followed satisfactory results from Microsoft, one Wall Street's most important high technology stocks.

It was poor results from Motorola and a profits warning from Hewlett Packard, both highly-rated technology stocks, that were seen to trigger the recent sell-off in the US and which upset global stock markets.

"It was good to see the Footsie back above 3,700 but the market was lacking real conviction," said one leading UK trader.

Tesco's reluctance to pay top dollar for Docks de France, the French supermarket group, brought widespread relief to a market fearing a £1bn-plus rights issue. This catapulted Tesco shares to second position in the Footsie table, only just ahead of British Steel, whose shares were aggressively bought ahead of today's annual meeting.

A batch of new entrants to the market was highlighted by the splendid debut of Allied Carpets, whose shares, initially placed at 215p, roared up to near 10 per cent premium. There was no such good fortune for biotech stock Therapeutic Antibodies whose shares, placed at 825p, slipped below 500p before closing at 505p.

Bank of Scotland was a notable underperformer among the leaders, with some dealers becoming increasingly uneasy about the sale of Standard Life's 28 per cent stake. Turnover in equities at 6pm was 605.7m. Retail business on Monday was worth £1.3bn.

News of the improved figures, which one analyst said were "at least 15 per cent ahead of the market's best estimates," followed reports of improved profitability in US oil companies as a whole. Shares in Shell Transport put on 8 to 820p, after trade of 4.8m. Those of BP also improved and closed 6 1/2 ahead at 659p.

British Gas remained firm, gaining 5 to 157 1/2p, in trade of 7.8m as the market continued to speculate that the company will soon come to an agreement with the regulator about price proposals for TransCo, the group's pipeline business.

An upbeat results statement from bus and rail operator Stagecoach pushed the shares up 5 to 439p. The group was optimistic about trading margins and hopeful of picking up further rail franchises.

Channel tunnel operator Eurotunnel came off sharply on day restructuring operations. The group's self-imposed deadline for a deal with its banks runs out next week. The shares fell 5 to 103p.

BAA, hit by profits windfall tax jitters, shed a further 7 to 489p. British Airways ended off 4 1/2 at 510p following regulatory concern and Dutch press stories pointing to margins pressure at rival airline, KLM.

Heavy selling pushed shares in international conglomerate Hanson down their lowest level for seven years. The stock ended off 3 at 185 1/2p in 18m traded. A further 3.8m equivalent passed through the traded option pits.

There were no specific stories apart from a modest debt downgrade for Hanson America by Moody's, the credit ratings agency.

Orange was the worst performing stock in the FT-SE 100, sliding 5 1/2 to 182p. Shares were floated earlier this year at 205p. There was said to have been switching into mobile

phones rival Vodafone where traders have lately been talking a story of greater UK marketing initiative and fast growing international operations as a cushion against tough trading at home. Vodafone added 3 to 224 1/2p in front of today's annual meeting.

Tesco's decision not to make a bid for Docks de France resulted in the company's shares rising 8 to 290p, amid widespread relief that there was no rights issue to fund the acquisition.

A shortage of stock together with news that BSkyB had agreed a deal to televise Welsh rugby, drove the group's shares to an all time high. The shares jumped 14 to 494p, making it the day's best performer in the Footsie.

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A shortage of stock together with news that BSkyB had agreed a deal to televise Welsh rugby, drove the group's shares to an all time high. The shares jumped 14 to 494p, making it the day's best performer in the Footsie.

Channel tunnel operator Eurotunnel came off sharply on day restructuring operations. The group's self-imposed deadline for a deal with its banks runs out next week. The shares fell 5 to 103p.

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Heavy selling pushed shares in international conglomerate Hanson down their lowest level for seven years. The stock ended off 3 at 185 1/2p in 18m traded. A further 3.8m equivalent passed through the traded option pits.

There were no specific stories apart from a modest debt downgrade for Hanson America by Moody's, the credit ratings agency.

Orange was the worst performing stock in the FT-SE 100, sliding 5 1/2 to 182p. Shares were floated earlier this year at 205p. There was said to have been switching into mobile

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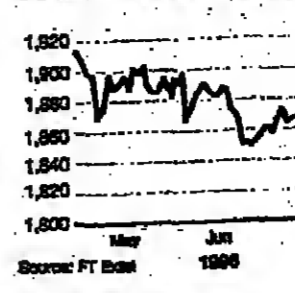
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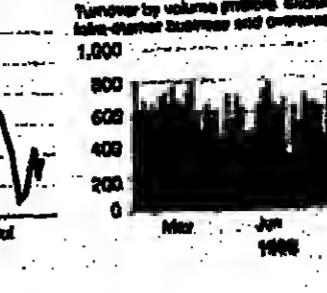
FT-SE A All-Share Index



Indices and ratios

Table with 3 columns: Index Name, Current Value, Change. Includes FT-SE 100 (3708.4, +27.1), FT-SE Mid 250 (4286.9, +5.9), FT-SE A All-Share (1838.6, +11.2), and FT-SE A All-Share yield (3.90, 3.93).

Monthly shares traded



Turnover by volume (million sterling)

Table with 3 columns: Index Name, Current Value, Change. Includes FT Ordinary Index (2713.4, +16.7), FT-SE A Non Fin Div (3707.0, +26.0), 10 yr Gilt yield (7.93, 7.90), and Long gilts/yield ratio (2.13, 2.10).

FUTURES AND OPTIONS

Table for FT-SE 100 INDEX FUTURES (LFFE) £25 per full index point. Columns: Open, Set price, Change, High, Low, Est. vol, Open int.

Table for FT-SE MID 250 INDEX FUTURES (LFFE) £10 per full index point. Columns: Open, Set price, Change, High, Low, Est. vol, Open int.

Table for FT-SE 100 INDEX OPTION (LFFE) £370.75 C10 per full index point. Columns: C, P, C, P, C, P, C, P, C, P, C, P.

Table for EURO STYLE FT-SE 100 INDEX OPTION (LFFE) £75 per full index point. Columns: C, P, C, P, C, P, C, P, C, P, C, P.

Best performing sectors

Table with 2 columns: Sector, Change. Includes Gas Distribution (+2.5), Tobacco (+1.9), Pharmaceuticals (+1.5), Banks/Retail (+1.2), and Building Mats & Merchs (+1.0).

Worst performing sectors

Table with 2 columns: Sector, Change. Includes Transport (-0.4), Electricity (-0.4), Other Financial (-0.3), Diversified Industrials (-0.3), and Breweries, Pubs & Rest (-0.3).

Buyers in for Steel

A combination of buy-back talk plus hopes for some good news on trading sent British Steel to the top end of the Footsie performance charts ahead of today's annual meeting.

The top of its latest trading cycle and share buy-back talk is quick to resurface whenever the company makes a public appearance. Also, the company's traditional provides trading information at its own.

But some analysts felt the market was riding for a fall. "It could well be that British Steel will take the opportunity to soften up the institutions for downbeat trading news later this year. Steel prices have been easing and starting has been going in the opposite direction," said one broker.

The share climbed back to the top of their recent trading range, adding 4 1/2 to 172p in 7.2m traded.

SmithKline up

Pharmaceuticals group SmithKline Beecham rose 9 1/2 to 696p, in heavy trading of 13m, as analysts moved to upgrade profit estimates following pleasing interim figures.

Analysts were particularly happy with the contribution made by new drugs and several indicated they would be upgrading full year profit estimates by around £15m to the £1.52m mark.

Maintained margins were another factor cheering the city and dealers said it reflected the increased spending on advertising and marketing.

However, the good news in the sector was not confined to SmithKline Beecham. Shares in Glaxo Wellcome moved strongly ahead in late trading gaining 20 1/2 to 911 1/2p after it made an announcement on its anti-HIV drug Efavir. The company said a study to assess the effect of Efavir had been halted after analysis showed a reduction in the rate of progression to AIDS and death among HIV patients who received it.

One analyst said: "This is a significant move and may give Glaxo a significant position in the battle against Aids."

Carpets winners

Allied Carpets made a sparkling debut yesterday, closing at 224p, compared with a placing price of 215p.

However, some of the limelight was stolen by Carpetright, with Lord Harris, chairman and chief executive, reporting at the agm that sales were up 33 per cent in the first 12 weeks of the year.

Carpetright rose 23 to 547p, although some analysts warned that the company's aggressive expansion plans could result in margin attrition. Mr Tony Shirat of BZW said that too much capacity may be coming on stream and this would put pressure on margins.

FINANCIAL TIMES EQUITY INDICES

Table with 12 columns: Index Name, 23 Jul, 22 Jul, 19 Jul, 18 Jul, 17 Jul, 16 Jul, 15 Jul, 14 Jul, 13 Jul, 12 Jul, 11 Jul, 10 Jul. Includes Ordinary Share, Ord. div. yield, P/E ratio, and FT-SE All-Share.

London market data

Table with 2 columns: Metric, Value. Includes 52 Week High and Low, Total Highs/Lows, Total Trades, and Total Value.

LONDON RECENT ISSUES: EQUITIES

Table with 10 columns: Issue Name, Price, Amt, Date, High, Low, Stock, Div, Yld, P/E, Net. Includes issues like Albion, BAA, British Airways, etc.

FT GOLD MINES INDEX

Table with 10 columns: Index Name, 22 Jul, 21 Jul, 20 Jul, 19 Jul, 18 Jul, 17 Jul, 16 Jul, 15 Jul, 14 Jul, 13 Jul. Includes Gold Mines Index, Africa, Australia, and South America.

FT-SE Actuaries Share Indices

Table with 10 columns: Index Name, 23 Jul, 22 Jul, 19 Jul, 18 Jul, 17 Jul, 16 Jul, 15 Jul, 14 Jul, 13 Jul, 12 Jul. Includes FT-SE 100, FT-SE Mid 250, FT-SE A All-Share, etc.

FT-SE Actuaries All-Share

Table with 10 columns: Index Name, 23 Jul, 22 Jul, 19 Jul, 18 Jul, 17 Jul, 16 Jul, 15 Jul, 14 Jul, 13 Jul, 12 Jul. Includes 19 Mineral Extractions, 20 Extractive Industries, etc.

Advertisement for Gencor Limited. Includes company logo, name, and a large graphic of a tree with the text 'TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE.' Below the graphic is a circular logo with 'WWF' and 'World Wide Fund For Nature' text.

Large table containing FT-SE Actuaries Share Indices and FT-SE Actuaries All-Share data. Columns include Index Name, 23 Jul, 22 Jul, 19 Jul, 18 Jul, 17 Jul, 16 Jul, 15 Jul, 14 Jul, 13 Jul, 12 Jul, Div, Yld, P/E, Net, Total Return.

TRADING VOLUME

Table with 3 columns: Index Name, Vol, Chng, Days. Includes Major Stocks Year-to-Date.

Hourly movements

Table with 10 columns: Index Name, 0.00, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.00, High/Low, Low/High. Includes FT-SE 100, FT-SE Mid 250, FT-SE A All-Share.

FT-SE Actuaries 350 Industry baskets

Table with 10 columns: Basket Name, 23 Jul, 22 Jul, 19 Jul, 18 Jul, 17 Jul, 16 Jul, 15 Jul, 14 Jul, 13 Jul, 12 Jul. Includes 350 & Chemicals, Pharmaceuticals, Banks, Retail, etc.

Additional Information

The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. FT-SE International Limited is a subsidiary of FT-SE International Limited.

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WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

Table listing stock prices for various European countries including Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, Switzerland, and the UK.

ASIA

Table listing stock prices for various Asian countries including Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, South Africa, Taiwan, Thailand, and the Philippines.

PACIFIC

Table listing stock prices for various Pacific countries including Australia, Canada, New Zealand, and South America.

AFRICA

Table listing stock prices for various African countries including South Africa, Egypt, and others.

INDEXES

Table showing major stock indices such as the FTSE 100, Nikkei 225, Dow Jones, and others.

US INDICES

Table showing US stock indices including the Dow Jones Industrial Average, S&P 500, and NASDAQ.

WORLD STOCK MARKETS

Table showing a comprehensive list of world stock markets with their respective indices and values.

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Advertisement for Rockwell, featuring the text 'In the world of automotive component systems, Rockwell is world class' and the Rockwell logo.

Vertical text on the left side of the page, possibly a continuation of an advertisement or a sidebar.

INDICES

Table listing various stock indices and their performance metrics.

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INDEX FUTURES

Table listing futures contracts for various indices.

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Small print at the bottom of the page containing legal disclaimers and publication information.

NEW YORK STOCK EXCHANGE PRICES

30

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections like 'NEW YORK STOCK EXCHANGE PRICES' and 'AMERICAN STOCK EXCHANGE PRICES'.

BE OUR GUEST. ROYAL. When you stay with us in LUXEMBOURG stay in touch with your complimentary copy of the FINANCIAL TIMES.

JAVICO LTD

Continued on next page

4 pm close July 23

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'T'.

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'U', 'V', 'W', 'X', 'Y', 'Z', and 'A'.

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z', and 'A'.

NASDAQ NATIONAL MARKET

4 pm close July 23

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z', and 'A'.

AMEX PRICES

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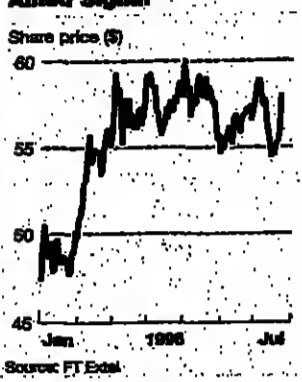
Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Sweden' featuring the text 'Have your FT hand delivered in Sweden' and 'Financial Times delivered to your home or office every working day. Hand delivery services are available for all subscribers in the business centres of Gothenburg, Lund, Malmo and Stockholm (including Djursholm, handeryd, Stockund and Salsjöbaden). Please call (08) 791 23 45 for more information.'

Large vertical advertisement on the left side of the page, partially obscured by a 'Bert' logo and other text.

AMERICA
Dow stable but techs slide continues

US share prices were mixed in midweek trade as technology shares continued to tumble, while other sectors were flat or modestly stronger.



Technology stocks, which had soared in recent months as investors bet on enormous growth in emerging technologies, were also weaker.

Mexico City edges ahead

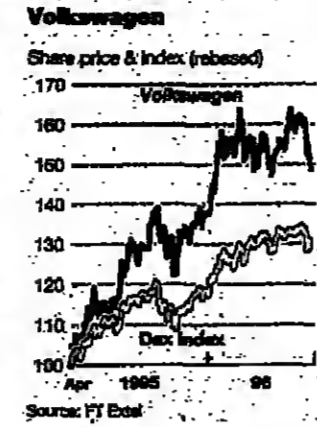
Mexico City edged higher at midsession, as investors looked forward to a decline in primary interest rates at the Cetes auction later in the day.

S Africa industrials mixed

Johannesburg ended mixed. Industrial stocks staged a considerable flightback after a sharp opening drop as investors became spooked by opening steep losses in the rand and bond markets.

EUROPE
Hopes and fears move Frankfurt stocks, sectors

Apart from the Dow's weight on the broad market seesaw, hopes and fears moved stocks and sectors in FRANKFURT, with banks up ahead of the impending quarterly earnings season.

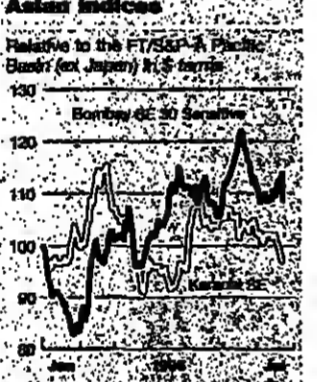


Among banks, where Deutsche Bank rose DM1.01 to DM74.25 and BayernLB by 69 pct to DM42.

Outside the Dax 30, there was concern when KHD, the engineering group halted out by its creditors in June, made a second postponement of its annual general meeting.

ASIA PACIFIC
Bombay tumbles 3.8% as budget imposes new taxes

A reconsideration of Monday's budget left BOMBAY 3.8 per cent down as it became clear that the measures would impose new taxes on industry, but give only token relief.



Car stocks, sold heavily by overseas investors over the past few weeks, rebounded. Ford Motor gained Y20 to Y2,490 and Honda Motor Y10 to Y2,540.

FT-SE Actuaries Share Indices

Table with columns for FT-SE Actuaries Share Indices, including indices for Europe, Asia Pacific, and Americas.

Financials, by contrast, remained under pressure, but with a SP4 fall in UBS to SP1.21 attributed to program-linked selling.

VIEWPOINT
Commerzbank's focus on German and European economic issues

The STRUCTURE of a country's exports is slow to change. As a rule, it is more difficult to penetrate a new market than to maintain an existing position.

Germany's exports strong, but market share shrinking

Since the start of the 1990's, there has been a decline in Germany's share of world export markets. This is frequently taken as evidence of German industry's structural weaknesses.

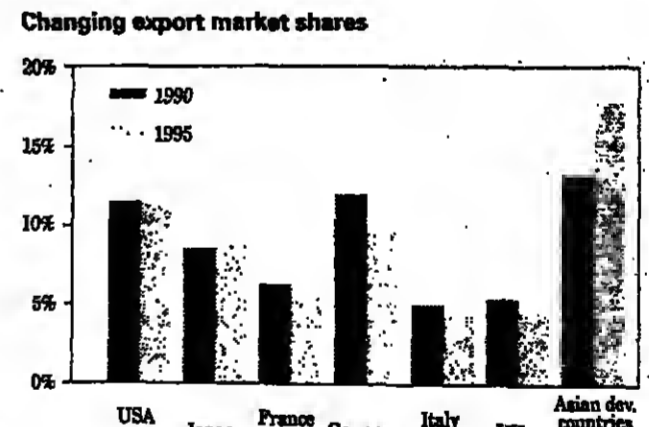


Table of FT/S&P Actuaries World Indices, listing various regional indices and their performance metrics.

GENERALY SPEAKING, Germany has a competitive edge in certain areas requiring special know-how, as well as in terms of product quality.

results season, which kicks off with Polygram today and Philips tomorrow, would be a key factor in determining market sentiment.

WON106,000, up Won6,000. Sungmi Telecom Electronics rose Won12,500 to Won27,500 and Chang Won Carburetor Industrial added Won2,600 to Won47,100.

SEATTLE saw follow-through buying of small and medium capitalised shares, but blue chip manufacturers remained weak.

GERMANY will only be able to bail the declines in its world-market share if it exploits its competitive advantages to a greater extent and is able to undertake much-needed structural adjustments.

